

# CREATING VALUE

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

No. 10 DECEMBER 2020

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## Perception, Agility, Intuition:

Attributes Needed To Navigate These Turbulent Times

IMAP

International M&A Partners

# Chairman's Letter



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

## Perception, Agility and Intuition

Welcome to the 10th Issue of Creating Value (CV), a small, yet important milestone. Over the past several years we have seen CV grow into a serious, industry respected publication. In this era of soundbites, tweets and superficial (often false) answers to complicated questions, CV goes into depth on what matters to business owners navigating change and highlights the accomplishments of our world-wide teams helping our clients meet their objectives. So, congratulations to our editorial team on the publication of CV10: Carsten Lehman and Gabor Szendroi, our Editors-In-Chief; and Megan Bestic, Claire Smedley, and Carl Kelly at IMAP HQ, who have perfected the art of finessing contributions from our busy IMAP partners and molding this material into a reference work on what's happening in the M&A market around the globe! Thank you, all.

It's fair to say, using an often-used cliché, that we live in interesting times. But, instead of taking it as a curse, as the ancient Chinese meant it, I think we should consider it as a gift - the opportunity to escape the ordinary and rise to meet the challenge of change. Several sector insight articles in CV10 are a result of the recently completed 6 week "Project Dragonfly" series of virtual sector roundtables, each panel viewed by hundreds of IMAP colleagues, many of whom had never attended an IMAP live conference, much less an IMAP sector panel – a prime example of triumph over adversity.

The first phase of the "Project Dragonfly" series concentrated on the theme of "Performance in Crisis": how individual sectors have been affected by the COVID 19 crisis and how they are expected to perform under various macro recovery scenarios, especially in relation to M&A. Our experts looked at sector trends, how these were accelerated during the crisis, analyzed factors driving M&A activity, and, especially interesting, pronounced on "what's hot" and "what's not", leading to bursts of IMAP-wide BD activity in those "hot" sectors. I hope that we can give you at least a feel for the dynamism of those sessions.

A word about why "Project Dragonfly", which started as an idea from a book about poker<sup>1</sup>.

*What do you picture when you think of the most successful hunter in the animal kingdom? ... a lion, or a cheetah, ... or perhaps a wolf... They are all striking beasts. They are all powerful. They are all deadly. And none of them is even close to being the most successful. The cheetah comes in highest, killing approximately 58 percent of the animals it hunts. The lion is next, at less than half that...the wolf captures only 14 percent of what it stalks. The true deadly killer is one that hardly anyone would think of: the dragonfly... (which) manages to capture an astounding 95 percent of its targeted prey... Its eyes have developed to spot the tiniest deviations in motion. Its wings allow it to swerve and swoop in unimaginably quick configurations. And its brain has evolved to not only see possible targets but predict their future movements with startling accuracy. The dragonfly is so good not only because it sees what its prey is doing, but because it can also predict what it will do and plan its response accordingly.*

Perception, Agility, and Intuition – the attributes of the Dragonfly that make it the animal kingdom's most successful hunter – are the same attributes we need to navigate these turbulent times. So, as we take stock of the events of 2020 and prepare ourselves for 2021, I wish you all the best and look forward to catching up again next year. Always remember what's really important - family, friends and community.

Take care and stay safe.

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

<sup>1</sup> Konnikova, Maria. The Biggest Bluff (p. 82). Penguin Publishing Group. 2020. Kindle Edition.

# The Global Restructuring Market – Were Earlier Forecasts on The Mark?



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

For struggling companies facing crisis situations such as the current COVID pandemic, having a proven advisor, with established restructuring and debt advisory teams, strong relationships with lenders and vital access to capital and equity, is crucial.

Earlier this year, IMAP's Global Debt Advisory & Restructuring Team held a virtual roundtable, discussing the financial effects of the COVID-19 crisis. Now, our IMAP Experts return to share their perspectives on how things have evolved since March.

They explain how the various phases of the COVID cycle have unfolded, the effects and subsequent lender reactions. They also look at the restructuring market, reflecting on expectations versus reality and the outlook moving into 2021.

# DEBT ADVISORY GLOBAL VIEW

## GERMANY



**HENNING GRAW**  
 Managing Partner  
 IMAP Germany  
 henning.graw@imap.com



**CARSTEN BIEL**  
 Vice President  
 IMAP Germany  
 carsten.biel@imap.com

At IMAP M&A Consultants AG in Germany, we offer comprehensive dedicated “Special Situation” M&A services along the entire cycles of a company crisis. Our mission is to stop loss in value through M&A as early as possible, to maximize returns for current shareholders and lenders. Our current focus is the liquidity and profitability crisis and as always, to ensure that the objectives of debt restructuring and the M&A process, are aligned so that we achieve the optimal overall result for our clients.

### Results of the COVID-19 Pandemic

If we go back to April, we said we didn’t expect a wave of insolvencies until the Fall and in fact, due to government measures (suspension of the obligation to

file for bankruptcy until year end and financial support programmes), the number has dropped. However, we expect this to rise at the start of 2021 when these measures are no longer in place.

Interestingly, rather than taking on new debt during the crisis, a study by the German IFO-Institute has shown that only small numbers of family-owned businesses took on the state-backed loans made available in response to the pandemic, preferring instead to use short-time work and tax referrals.

At the same time, the pandemic hasn’t in fact, hit the country as hard as initially expected. Indeed, we have witnessed a strong recovery in the second half of 2020. It has however, left scars. We are seeing reduced equity and working capital, with companies making less investments. Furthermore, banks are putting pressure on companies, many of which we believe will then look to M&A as a solution to increase their equity and improve their cash position.

We increasingly see the restructuring of global companies becoming an international task, as such there are increasing opportunities for international collaboration throughout the IMAP organization.

## OUTLOOK & BUSINESS CONTEXT

### Increasingly diverse challenges and complexity for companies

▶ Continuous government measures such as the prolonged suspension of the obligation to file for insolvency (until 12/2020), state-backed financing and the implementation of a new legal framework for out-of-court restructuring will likely prevent an insolvency wave

*IMAP Germany well-positioned through out-of-court track-record*

50% Distressed M&A in Germany

▶ Due to the suspension of the obligation to file for insolvency, it is assumed that the number of insolvency applications will fall to 18,000 in 2020. Up to 24,000 insolvencies expected in 2021

Effect from suspension of the obligation to file for insolvency until 12/2020

Year	Number of company insolvencies in Germany (cases in k)
2015	22
2016	21
2017	20
2018	19
2019	18
2020	18
2021	24

▶ Inclined balance sheets, reduced working capital and capex backlog lead to fresh money demand in rising markets ▶ M&A solutions

▶ Medium-term: refinancing of state-backed loans in 2 to 3 years ▶ Debt Advisory

▶ Restructuring of companies is increasingly becoming a global task both for Debt and M&A Advisory:

- Global footprint of companies (sale of non-core businesses around the world)
- Global diversification of debt & private equity funds
- Different jurisdictions increase the need for comprehensive advice

**DEBT ADVISORY GLOBAL VIEW**

**BRAZIL**



**CARLOS BRAGA**  
Partner Brasilpar  
IMAP Brazil  
carlos.braga@imap.com



**MARCELO DE FORBES KNEESE**  
Partner Brasilpar  
IMAP Brazil  
marcelo.kneese@imap.com



**GUILHERME PAULINO**  
Managing Partner Brasilpar  
IMAP Brazil  
guilherme.paulino@imap.com

In Brazil, the COVID-19 crisis has been less significant than expected. Though there was a major decrease in activity, we have seen a V-shape curve, whereby many sectors are recovering well, including: Construction, Services and Transportation, though those directly affected by social distancing remain depressed.

As 80-85% of the corporate credit raised is by banks in Brazil, there were concerns that the pandemic would cause banks to retract. However, due to a combination of government stimulus and new insurance options, as well as low levels of inflation and subsequently unprecedented record low interest rates, credit in fact increased. We also see significant demand for debt capital market instruments by higher yield-seeking investors, as well as for new IPOs, which previously nearly nonexistent we believe are a new area of growth and opportunity.

Brazil is the largest market in the world for Green Bonds, issuing USD 5 billion in Green Bonds in 2019. These are primarily in renewables, such as solar or wind plants and we see this a big avenue of opportunity as an increasing number of ESG investors look to Brazil for Green Bond projects.

We are also seeing some other interesting trends in Brazil. In order to raise debt at good levels, we are

seeing the use of convertibility features, such as warrants or equity tickets as part of the issuance. Increasingly, we are also seeing IP, including brands, as a form of guarantee - placing value on companies with a strong brand.

**Our Debt Advisory Team & Services**

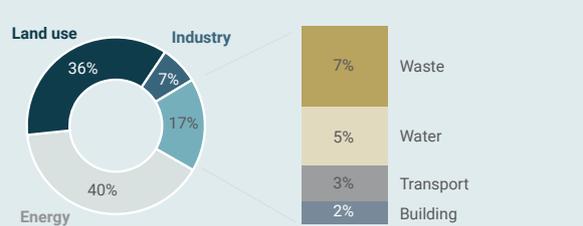
For over a year, Brasilpar (IMAP Brazil) has actively been building a Debt Advisory team in response to client needs and the changing market, as capital raising becomes more popular in Brazil. Our team's considerable experience in investment banking, allows us to ensure our clients achieve the optimal capital structure for their companies. We help them manage financial risks and increase financial flexibility and ultimately, through the right financial strategy, maximize shareholder value.

We have developed a strong relationship with a wide network of local and international banks in Brazil, Private Equity, Special Situations, Credit and Alternative Investment Funds, as well as with Wealth Management players, which enables us to provide our customers with access to the best banking, capital markets or alternative financing sources. Furthermore, we have developed an active relationship with Falconi Consultants, the leading Brazilian management consultancy firm.

**LAC green bonds issuance (1)**



**Top 3 sectors: Energy Land use and Industry**



**Issuance in Brazil (2015 – 2019)**



(1): Data as of 2 July 2019 Source: Climatebonds.net

# RESTRUCTURING GLOBAL VIEW

## UNITED STATES

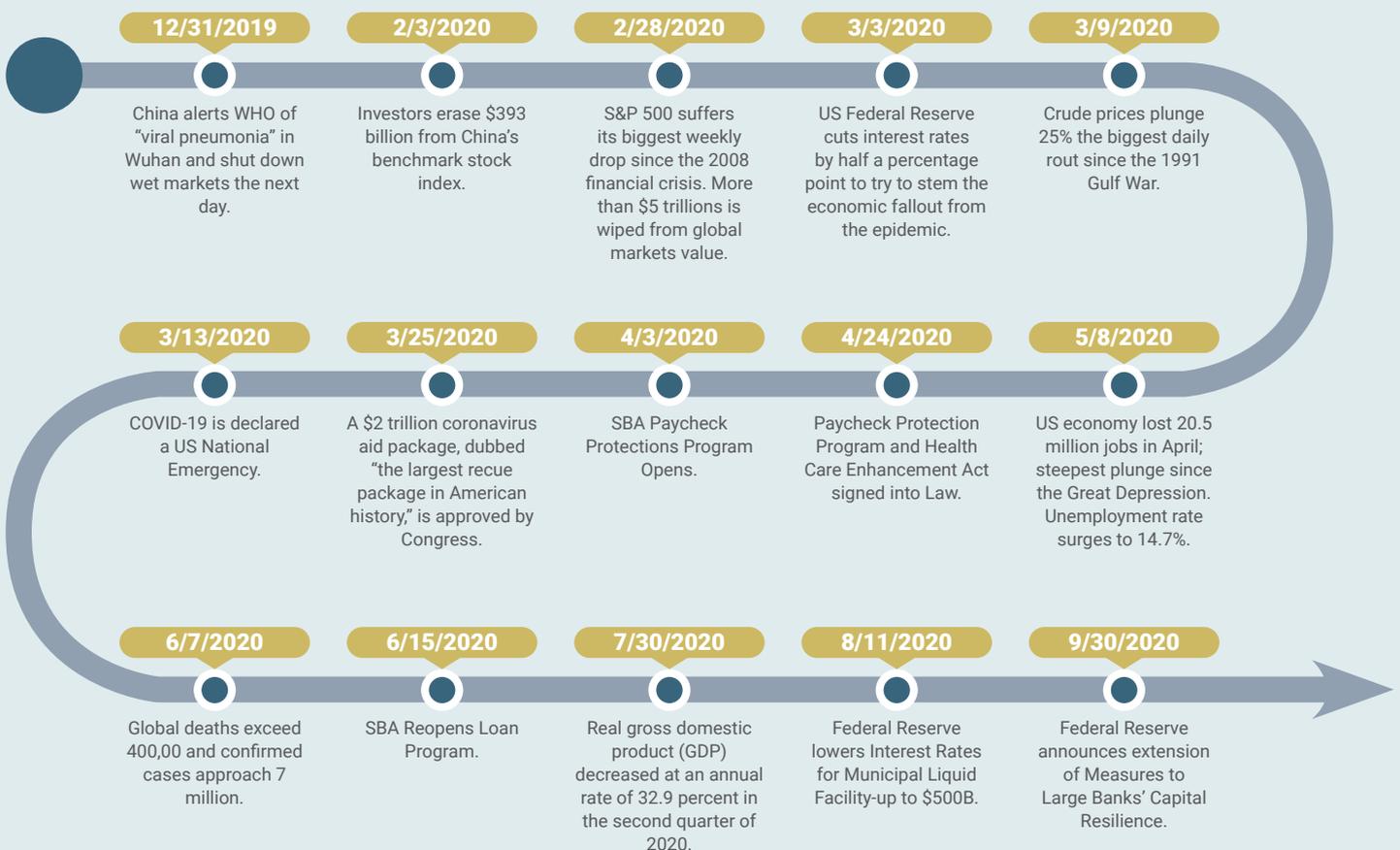


**BRIAN DAVIES**  
 Head of Financial Advisory Services  
 Capstone Headwaters (IMAP USA)  
 brian.davies@imap.com

Back in April, we were only just beginning to understand COVID-19 and how it was spreading. Looking at the early effects on the U.S. market and how it was reacting, everyone believed we were between full spread and containment, though in hindsight, we were far from containment. The industry specific restructurings we were expecting at that stage, didn't appear, primarily due to the USD 2.2 trillion pumped into the economy by means of the U.S. Government CARES ACT, resulting in the industries holding back, waiting to see how the market would evolve.

In the timeline below, we can see the actions effectuated by the U.S. Government to stabilize

the markets. Initially, we were in a state of limbo, waiting for events to unfold in China. In February, their markets took a big hit, and subsequently, so did ours. We saw an energy plunge, the U.S. Federal Reserve cut interest rates and a state of emergency was declared. There were still a lot of unknowns and it was only in April that we began to see the effects of closing down one of the largest economies in the world. The U.S. economy began to plunge, and it wasn't until the summer, we saw signs of the virus being contained. At the same time, we began to see movement in the restructuring market; clients began contacting us, needing help to solve liquidity and operational challenges and capital markets began to open.



## RESTRUCTURING GLOBAL VIEW

### UNITED STATES

#### So Where are We Now and What's Next?

We now have a better understanding of the virus, have learnt to live with it, and there is a vaccine on the way. The U.S. economy is on an upwards trajectory, with GDP seeing record growth in October. Markets are normalizing and our unemployment rate is dropping significantly. We are now seeing a surge, as opposed to a wave, in activity in the restructuring market,

albeit later than expected. Earlier in the year, we were primarily discussing balance sheet restructurings, when capital was the main strategy for turning businesses around. Businesses are now realizing they need to look more deeply into their operational issues and those teetering on the edge, previously supported by the liquidity in the market, are the ones who will be most affected.

#### The Cycle of COVID-19 and its Impact on the Restructuring Market The Sequel



Are we in the rebound phase yet? I believe we continue to be several months behind schedule. Regardless of the U.S. election results, we will see another stimulus package, though many industries will be permanently reshaped, and clients will have a lot of scar tissue. There are still many unknowns

and we still don't know exactly how this will affect the global restructuring market. That being said, I do think the restructuring industry will be remarkably busy over the next 3-5 years, trying to find solutions and heal companies with wounds pre-COVID, and subsequently magnified by the pandemic.

## RESTRUCTURING GLOBAL VIEW

### CANADA



#### DAVID SANTANGELI

Co-Founder & Managing Director  
Morrison Park Advisors - IMAP Canada  
david.santangeli@imap.com

As is often the case, Canadians measure their success or failure as in comparison to our friends south of the border. The timeline, trends and conclusions experienced in Canada are broadly the same as the U.S. market, with a few exceptions. In typically Canadian fashion, our COVID-19 public response in general has been positive, with constructive response to the restrictions, and without any widespread politicization. Our health policy has been seen to be reasonable and uncontroversial, and our federal stimulus strategy has been comprehensive and extensive. Mechanisms have been designed and implemented to forestall any widespread defaults, including replacement of student's wages in the summer, relaxation of unemployment insurance rules, comprehensive wage subsidies and perhaps most importantly, relaxed capital rules for banks. Across our society, we have been largely successful in softening economic the impact of the pandemic. Therefore, though the restructuring market has been active, we have not seen the anticipated large restructuring wave, nor the crisis mentality we saw back in the 2008 crisis. That said, there are key trends and learnings we can take away from some of the recent activity:

#### **Debt Heavy Businesses in Need of Urgent Restructuring when Business Dries Up**

A well-known example of this is global personal entertainment company, Cirque de Soleil. Acquired by a U.S. PE firm some years ago, it had a high debt load and was highly vulnerable when the pandemic hit and all shows stopped. The result was a very quick CCAA filing (the Canadian version of Chapter 11 bankruptcy). Hedge funds immediately began buying debt at a large discount, and consequently, La Cirque is now owned by creditors. A number of debt heavy retailers faced a similar fate, and clearly the combination of high debt levels and COVID-19 vulnerability has been too much to overcome with government support mechanisms.

#### **Businesses with Strong Balance Sheets & Stakeholder Support Seizing the Opportunity to Expand**

In a number of situations, strong players that had carefully cultivated a supportive stakeholder base have been able to take advantage of the COVID-19 crisis, even when their businesses are significantly affected. One such example is GoodLife Fitness, the most dominant player in the fitness sector in Canada. A

well-managed business, they have carefully cultivated a loyal following amongst their stakeholders and senior/subordinate debt holders. Following the closure of all gyms, their stakeholders gave them the green light to look at acquisitions of smaller competitors. In contrast, other regional players, with too much debt and generally weaker businesses were forced to take vastly different measures.

#### **Strategic Buyers Buying Debt to Control Competitors**

Well services provider Calfrac recently went through a restructuring process, whereby a strategic investor and direct competitor, the Wilks Brothers, aggressively buy tranches of debt. Historically we have seen this by hedge funds and aggressive debt funds, but not strategic investors, though we expect this to become more widespread.

#### **Segments in Economy Previously in a Bubble, Now at Risk of Imploding**

Historically, downtown Toronto had a highly active market constructing new condominiums, bought by strategic individual investors as rental units. The downtown Toronto rental market has been driven in part by younger professionals working in the financial services industry, and has been crushed due to most banks moving to remote work. Thousands of condominiums remain empty and yet construction continues. We expect to see the assignment sale market (unit resales completed prior to construction completion) increase, and the risk of developers going bankrupt puts the lending community at risk of owning these buildings. We could see significant disruption during the next 6-12 months.

#### **Lending Issues in Private, Not Banking Sector**

In Canada, since 2008, we have had an explosion of private debt funds as the major Canadian banks have had the luxury of being highly selective in their loans underwritings. For any given private lending fund, their prospects are now very dependent on the specific business segment they focused on. Though there are a number that are doing well and are actively lending, while there are also many in crisis, having ceased distributions and redemptions. We expect that there will be a number of attractive portfolio acquisition opportunities within the next 6 to 12 months.

## RESTRUCTURING GLOBAL VIEW

### INDIA



**VENKATESH S.**

Director  
IMAP India  
venkatesh.s@imap.com

At IMAP India, we follow the “Bear-Hug” principle with respect to client servicing; we work with them across their lifecycle and hence as a result, our product portfolio spans the entire lifecycle of a business. Our Debt & Special Situations Advisory teams also work together seamlessly since both products are focused on the client’s credit requirements. While the Debt Advisory team is focused on performing credits, the Special Situation Advisory team is focused on helping a Client facing liquidity or financial stress to achieve debt resolution by correcting the debt level through either financial or strategic solutions.

#### Restructuring Market in India

In India, more than 50% of the banking sector is controlled by Government owned banks, leading to slower decision making; hence debt restructuring projects, undertaken by the Special Situation Advisory team tend to take significant time. Any resolution requires multiple iterations and hence corporates need at least 2 to 3 years to achieve turnaround post any downcycle in the business. We have worked on various situations including a recent one which involved distress M&A and financial restructuring with India’s largest Theme Park, whereby we brought together three strategic players to take control of the theme park, hotel and surplus land (parts of the same entity) to achieve the best recovery for the creditors; the process however spanned across 2 years. Similarly, we have worked with a Pharmaceuticals formulations company with operations across India and Europe to achieve debt resolution by a mix of financial and strategic steps.

Now let’s look at how COVID-19 has impacted the restructuring market in India; India had one of most severe lockdowns in March/April 2020, which led to a steep dip in economic activity. In fact, we were the most severely hit in terms of industrial production and manufacturing. Since

then, economic activity has gradually improved as can be seen by data on vehicle sales and GST collections. Moving into Q4 these indicators have reached levels higher than those in 2019. However, unemployment levels continue to be a concern and are only likely to be addressed once the Real Estate and Construction sectors return to previous levels.

In terms of capital availability, we are now back to where we were in February 2020; equity indices are now above pre-COVID levels and as a result, primary markets have opened-up and large corporates are raising equity to increase their financial flexibility. Looking at the debt markets, the regulator, Reserve Bank of India (RBI) has pumped in significant liquidity, as well as substantially reduced interest post COVID; however, most of the liquidity has found its way to larger corporates looking to rephase their debt obligations. There has been lesser credit available to smaller and medium sized corporates, as well as corporates focused on discretionary spending sectors. For borrowers whose financial position has been impacted by COVID, RBI has opened a restructuring window to help realign their debt obligations in line with expected cashflows. At the same time, the Government has put bankruptcy initiation on hold, to try and nudge creditors to work along with borrowers to find solutions. As in earlier instances, for many COVID impacted Corporates, the slower restructuring process and likely credit deterioration during this period is likely to lead to creation of a substantial pool of Non-Performing Loans (NPLs).

We expect that the moratorium on Bankruptcy initiation is likely to be set aside by March 2021, after which Borrowers will have to find solutions to provide exits to Creditors, either by achieving Financial or Strategic solutions.

## RESTRUCTURING GLOBAL VIEW

### INDIA

In light of the above, there is expected to be a lot of activity in the restructuring market over the next 36 months. Initially, we expect to be focused on working with clients to achieve debt restructuring based on the RBI package as well as helping large groups to achieve Holdco refinancing, and distressed M&A in

COVID impacted sectors. If we look further ahead, we expect a strong transaction pipeline focused on NPLs created by COVID, leading to a further increase in distressed M&A activity levels (driven by larger Corporates moving to consolidate their respective Industry).

#### SPECIAL SITUATION ADVISORY: LIKELY EVOLUTION OVER THE NEXT 36 MONTHS



##### 0-18 months

- Debt Restructuring for COVID-19 impacted companies based on RBI package
- Holdco Refinancing of large groups (since most Holdco financings are by Non Banking players, which are not covered by RBI guidelines)
- Distress M&A activity based on Consolidation in COVID-19 impacted sectors

##### 18-36 months

- Strong Transaction pipeline expected w.r.t. NPLs created due to failed restructurings in COVID-19 impacted sectors
- Distress M&A volumes to commencement of proceedings
- Refinancings in COVID-19 impacted Corporates which perform better than expected as Restructuring packages

We believe there will be a lot of activity in the restructuring market over the next 36 months. We initially expect to be focusing on working with our clients to achieve debt restructuring based on the regulators package, helping large groups to achieve Holdco refinancing, and distressed M&A. If we look further ahead, we expect a strong transaction pipeline and a further increase in levels of distressed M&A activity.

# Businesses Must be Prepared for Change

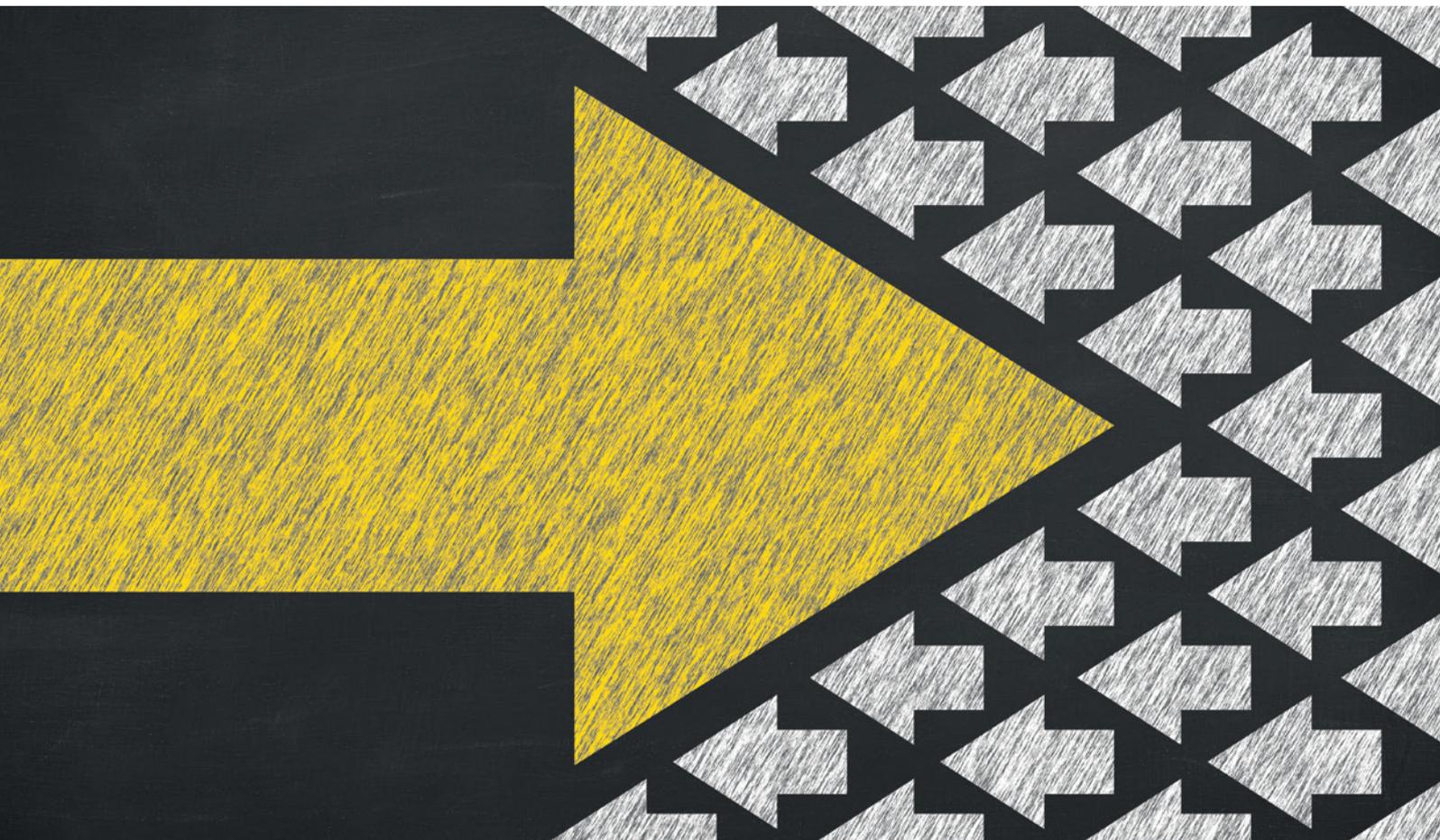


**FERNANDO CABOS**

IMAP Spain

[fernando.cabos@imap.com](mailto:fernando.cabos@imap.com)

Founding Partner of Albia Capital - IMAP Spain, Fernando Cabos, explains why in the wake of the COVID pandemic, companies, regardless of the sector, can't afford to do nothing in a world where everyone else is running. He advises company owners to take a long hard look at their businesses to determine the right course of action, not to put off making tough decisions and above all, be prepared for change.



## **Doing Nothing is Not an Option**

For many businesses, the COVID pandemic has come around all too soon. Still not fully recovered from the 2008 crisis, countless already financially fragile companies are now facing fast-moving unexpected variables and disruption. Even those with existing crisis plans simply couldn't be adequately prepared for the significant initial

impact, nor the long-term fallout of the pandemic and it's now make or break time for many companies.

Unfortunately, whereas a failing company used to be an opportunity for the one next door, in the current climate, everyone loses. Globalization means that your competition is now international and should say a



manufacturing company close, net employment losses would be suffered, with much of the business moved to other countries. Therefore, it's crucial that companies carry on, otherwise businesses will be lost.

### Running on Borrowed Time

Government economic injections in the form of support initiatives or rescue deals at the start of the pandemic, mean that we are currently seeing a lot of liquidity. Furthermore, ERTE furlough schemes in Spain have recently been extended and continue to sustain employment. However, though this has bought extra time for many companies, none of these measures are infinite, meaning sooner or later, the deferred tax payments will be due and loan grace periods will run out. So, what then?

While we're in this moment of paralysis, and things are ticking along, it's all too easy to put off making difficult decisions. However, doing nothing is not an option. Companies simply can't afford to be left behind, and stand still whilst everyone around them continues to move forward. Many businesses won't have recovered, even with the financial aid received and are now faced with the question of what happens next.

### Investors Invest in Projects Not Problems

The immediate focus for businesses should be on preserving liquidity - cash is king - and adjusting expenses in relation to real income. This should be followed by a complete analysis of the business, asking whether it has the necessary pipeline and size to be competitive. The resulting action plan very much depends on the outcome of the analysis and we would encourage businesses to look for and execute new routes.

It's in crisis situations that a company owner's reaction is to look for the perfect investor who can provide the company with funds to "cover the financial hole".

"Investors invest in projects, not in problems. Therefore, the company needs to implement restructuring measures to overcome the crisis situation and then design a new project that offers the profitability sought by investors."

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The bad news: Investors invest in projects, not in problems. Therefore, the company needs to implement restructuring measures to overcome the crisis situation and then design a new project that offers the profitability sought by investors – don't forget, investors who invest in non-performing companies do so with the objective of turning the companies around with their own resources and remunerating themselves with the subsequent value created. Consequently, they do not need either the current shareholders or part of the management team.

### Grabbing the Bull by the Horns

Regardless of the sector, company owners now need to take an honest and long hard look both at their business and themselves as leaders. Getting out of the crisis situation, in addition to commencing a new project, requires clear leadership, credibility and enormous amounts of energy to align the interests of all parties involved. Facing this situation with exhaustion and a lack of courage to deal with a new crisis is synonymous with failure, perhaps not immediately but certainly in the mid- term.

It's not an easy question, but it's time to ask: is there sufficient belief, leadership, energy, and commitment from the top down? At the end of the day, if a company owner doesn't believe in their own project, no one else will. Do they have the drive and capacity to lead the

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**PREPARE FOR CHANGE AND KEEP MOVING**

company through this crisis? Are they able to transmit credibility to their workers, banks, suppliers, and clients? If not, then perhaps it's time to step-aside. Can someone else from inside the company take over, or is it time to look at options to integrate into another company?

**Diversification and Distributing Risk**

Historically, banks have been the principal external source of financing for companies in Spain. However, with a new wave of bank mergers, the number of banks is reducing. Banco Popular merged with Santander, the same will happen with CaixaBank and Bankia, and looks likely with Liberbank and Unicaja. Following the mergers, companies that previously had financing with a diversified bank pool and as such, distributed risk, will now find themselves with their entire debt sitting with just a short number of entities.

As such, we strongly recommend that companies diversify financing sources. The good news is, that companies do have alternative options. Since 2016, we have seen a significant increase in the amount of complementary alternative financing provided by debt funds; for working capital and for the long-term and asset-based financing. Many companies will find that these adapt better to their needs, though of course, each business is different, so it very much depends on their unique situation.

**When Selling or Merging is the Most Viable Option**

It's clear that even in a normal scenario, smaller companies face significant challenges compared to larger businesses: acquiring technology, attracting, and retaining talent and keeping up with clients etc. COVID has not only accelerated issues, but also manifested them. It's also harder for small companies to access financing, hence if we look at our local

“Regardless of the sector, company owners now need to take an honest and long hard look both at their business and themselves as leaders. Getting out of the crisis situation, in addition to commencing a new project, requires clear leadership, credibility and enormous amounts of energy to align the interests of all parties involved.”

Spanish market for example, it's not surprising that between 2008-2019, just 3% of the bankruptcies were companies with 100+ employees, compared to the 80% with between 1-19 employees, though of course our market is dominated by SME's.

For many, selling or merging provides the option to ensure the survival of the business. We have already seen many successful examples, including big names such as Iberdrola or CIE Automotive, who have been acquiring and integrating companies throughout their growth trajectory, and because of the current economic situation, we are going to see more, be it voluntarily, or involuntarily.

**One Size Doesn't Fit All**

At the end of the day, each business is unique and it's clear that one size does not fit all. We understand not only the market, but also our clients, having been corporate managers prior to being advisors, which provides us with essential strategic perspective to best guide them in these turbulent times. We are here to help them assess their businesses, make the difficult decisions and prepare for necessary change. ■



# Selling Your Company – Advice to Entrepreneurs, From Entrepreneurs



**AXEL FUHRI SNETHLAGE**  
IMAP Netherlands  
afuhri@imap.nl

Following a series of interviews with clients one year after selling their companies, Axel Fuhri Snethlage, Partner at IMAP Netherlands, reflects on some of the key synergies, and shared journeys to success. He also looks at the changing reasons entrepreneurs are selling their company, and shares key learnings and takeaways, both for business owners and M&A advisors.



Selling a company is a very personal experience, yet regardless of the sector, there are many synergies, especially in the journey up to and leading to the company sale. We wanted to take the opportunity to portray the entrepreneurs behind the companies, and one

year later, now the dust has settled, sit down with them to look back on the process, reflect on their experiences, as well as see where they are today. Furthermore, I'm sure many of their stories will resonate with other business owners currently looking to sell their company.

## 15/ INSIGHTS

### SELLING YOUR COMPANY

#### A Common Journey & Shared Mindset

It's an interesting observation that most of our clients, including the interviewees, followed a similar alternative route to success. Many do not have a higher education, some even having dropped out of school. Furthermore, many also unsuccessfully ventured into the family business. Showing entrepreneurial spirit from a young age, they are highly driven and motivated to follow their own path. Another common denominator we have seen is what I could call a sixth sense; knowing when and when not to take risks or making the right decisions at just the right moment. Additionally, though part of it is down to luck, at some point in time, through trial and error, and in Michiel Slegt's words, "getting up once more than falling", they have all managed to find a way to make their business highly successful. Of course, being entrepreneurs ourselves, we are perfectly equipped to understand and empathize with business owners, sharing common ground, including worries that are keeping them up at night!



In 2019, **Mark van Buuren** sold Maximum, an IT company specializing in labor market communication. He was looking not only to ensure the continuation and growth of the business, but also to achieve a better work-life balance. "Success is a combination of hard work, a bit of luck, counting your blessings, and staying humble."



**Michiel Slegt**, a serial entrepreneur, sold his online recipe and takeaway website, Smulweb, in 2019. He was looking to join leading retailer Jumbo. He is currently in the process of setting up a new business. "I kept the book 'HTML for dummies' on my desk as a talisman for 20 years."

#### Selling a Company – No longer Just About the Money

Historically, our clients were business owners, who, having reached retirement age and with no logical successor within the family to carry on the business, were looking to sell the company. However, more and more we are seeing much younger entrepreneurs making the strategic decision to sell to another party, and not just for monetary purposes. From a growth perspective, many believe the option to consolidate with a large business, as opposed to continuing independently, is the most effective way of achieving strategic growth.

For one of our clients, Mark van Buuren, he was looking for strategic growth and to ensure the continuation of the business. It was now the right time to sell, following several years in which he had invested time and money preparing the company for sale. Whilst he wanted to grow and continue in the business, he was also looking to find a better work-life balance, which he reports he has finally been able to achieve and would have been otherwise impossible when he was running the business by himself.



**Jan Willem Blokland** sold Blokland, a Steel company, in 2019 and has fully retired from the business. “One thing an entrepreneur does not like to do is say no to his clients.”

### **Less Talking & More Listening – Building a Compelling Equity Story**

In our business, as a rule we talk more than we listen. One of the key takeaways from these interviews is that the only way to fully connect with our clients, to know them and understand them, is to listen to the full story. Furthermore, learning the whole story enables us to discover a company’s unique selling point, which is crucial in helping us to build a compelling equity story, which in turn, enables us to find more suitable buyers and get better indicative offers.

### **When the Solution is on Right on Your Doorstep**

Interestingly, it is often the case that the buyer is more obvious than meets the eye, and sometimes literally just around the corner. In this case, all three owners, knew the buyer already. In fact, one of them, Jan Willem Blokland, had previously spoken to the buyer some years before, but the timing wasn’t right. Creating a long-list and a competitive process is

important to get the best multiple, that being said, on many occasions, we have found that the buyer is someone the client already has a relationship with, though perhaps hadn’t considered.

### **Never Underestimate the Complexity of Selling Your Business**

In our experience, most business owners don’t fully appreciate the complexity of selling their company, or the extent of the work required, not only by themselves, but also by their advisors. We see clients shocked when we initially discuss fees, believing it to be easy money on our part, with many comparing selling a business, to selling a house. It’s only when we get deeper into the process and are looking at accounts, numbers, client agreements, personnel etc., preparing the company and documentation required for due diligence, that they begin to realize the importance of engaging an advisor. Now, reflecting on their experience, is when our interviewees fully appreciate the role we played and indeed, comment that the money was in fact, well deserved. That’s a learning point for us as well, for future clients.

### **Learnings for M&A Advisors**

Our client market is widening, and the reasons business owners are choosing to sell are changing. We all need to listen, more than we talk - understanding our clients’ journeys and synergies, helps us better assist future clients. Managing a client’s expectations and helping them to have a clear idea of what happens not only leading up to and during the sale, but afterwards, in the post-closing gap is key. From a client perspective, now that the dust has settled and the adrenaline has dissipated, I’m happy to say that one important take-away from our interviewees, is the agreement that being advised by IMAP Netherlands, was money well spent. ■

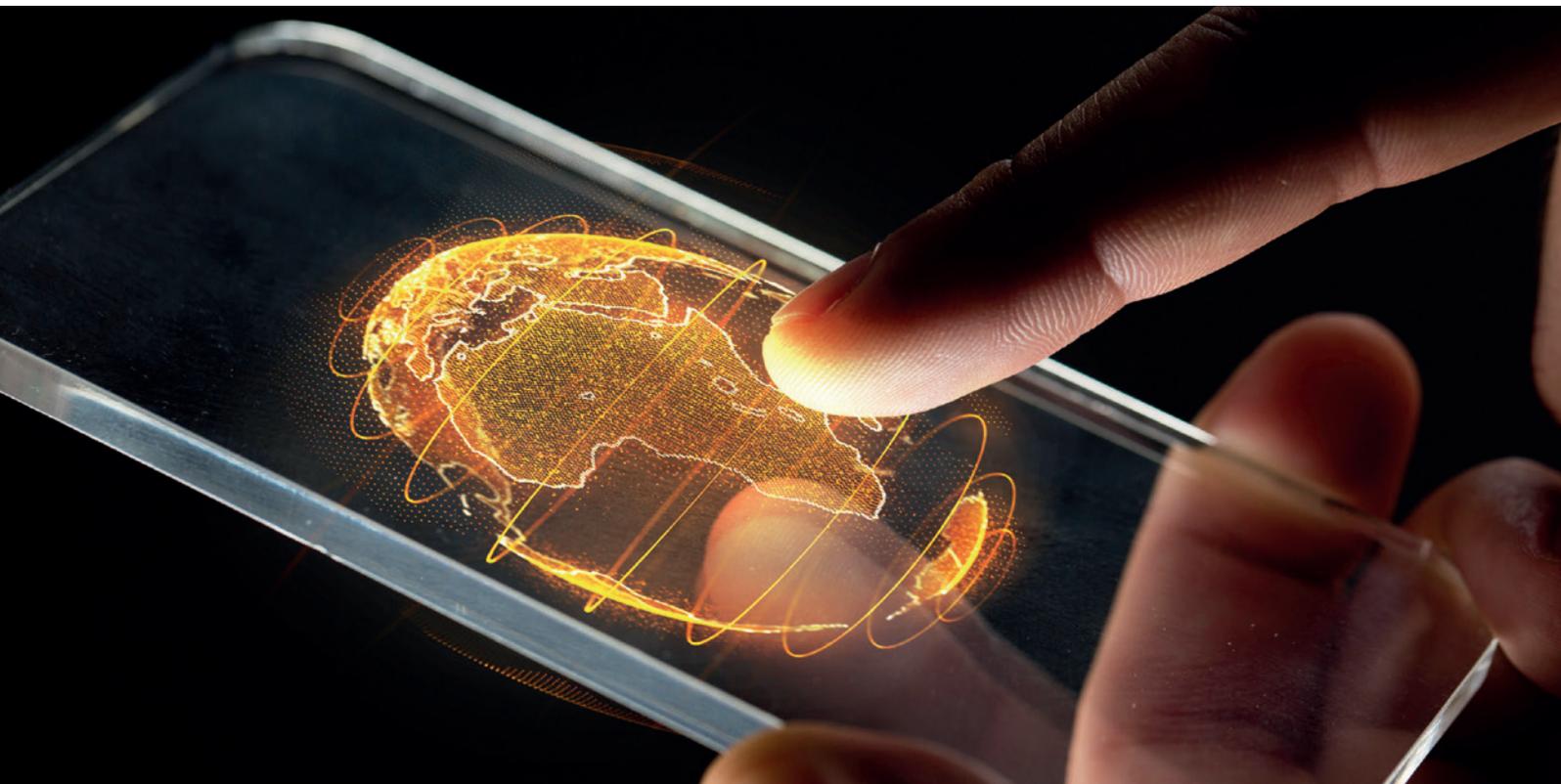


# Africa – The Fintech Fulcrum Between East and West



**EDMUND HIGENBOTTAM**  
IMAP South Africa  
edmund.higenbottam@imap.com

With 20 years of experience in investment banking, Edmund Higenbottam, Managing Director of Verdant Capital (IMAP South Africa), the largest advisor to the Fintech sector in Africa, talks to Creating Value about Fintech in Africa and why the continent's flourishing tech landscape is so attractive to investors.



Africa is currently home to just under 500 Fintech firms<sup>1</sup>, with South Africa, Nigeria, and Kenya at the forefront of startup activity. So, what makes the continent so attractive? The African Fintech market is not only potentially very large, it is highly unpenetrated. Of the 1.1 billion people in sub-Saharan Africa, two-thirds of them are unbanked. Therefore, there is enormous scope for Fintechs to onboard these demographics into the financial sector. Furthermore, customers with access to credit is only a fraction of the proportion of the population with a bank account, so for

innovative credit businesses, this is a huge opportunity to come to market and provide credit products to individuals and enterprises for the first time.

### **Ideal Testing Ground for Technology Solutions**

In the past, and indeed still today, technology and business models from the West have been applied in Africa, e.g. the merchant cash advance business model from the US, which is being employed in South Africa – the pioneer and largest operator in South Africa being Retail Capital.

<sup>1</sup> <https://disrupt-africa.com/finnovating-for-africa/>

However, we are now also seeing a real sense of two-way technology transfer, by means of an interesting flow of efficient solutions for bottom-of-pyramid income groups in the first world – take the number of people on food stamps in the US and it would be the 10th largest country in Africa.

Customer identification technology for example is a growing segment as most countries still don't have ID cards or digital ID schemes, and systems such as Aadhar, the nationwide biometric identification system in India, are simply not available in most African countries. This means the private sector must provide its own solution.

The African landscape, with its physically dispersed population; a population density of 45 per km<sup>2</sup> versus 460 per km<sup>2</sup> in India, in conjunction with a poor physical infrastructure, means that technology is key in reaching customers efficiently. Though delivering solutions to end consumers is obviously a big challenge, the good news is that the technology does exist.

African Fintechs have the ideal testing ground to trial new bottom-of-pyramid solutions, before applying them in other low-income markets, as well as upper to middle income countries. Essentially, allowing other countries to leapfrog opportunities and far more advanced technology.

If we also look at the cost base, Africa boasts a well-trained pool of software engineers, that has the added benefit of being significantly cheaper than in Europe or the US. Low cost customization is particularly important in the B2B segment (e.g. insuretech and platforms), and many successful South African operators have export-driven models, such as Kalibre Life.

### **Composition of Income**

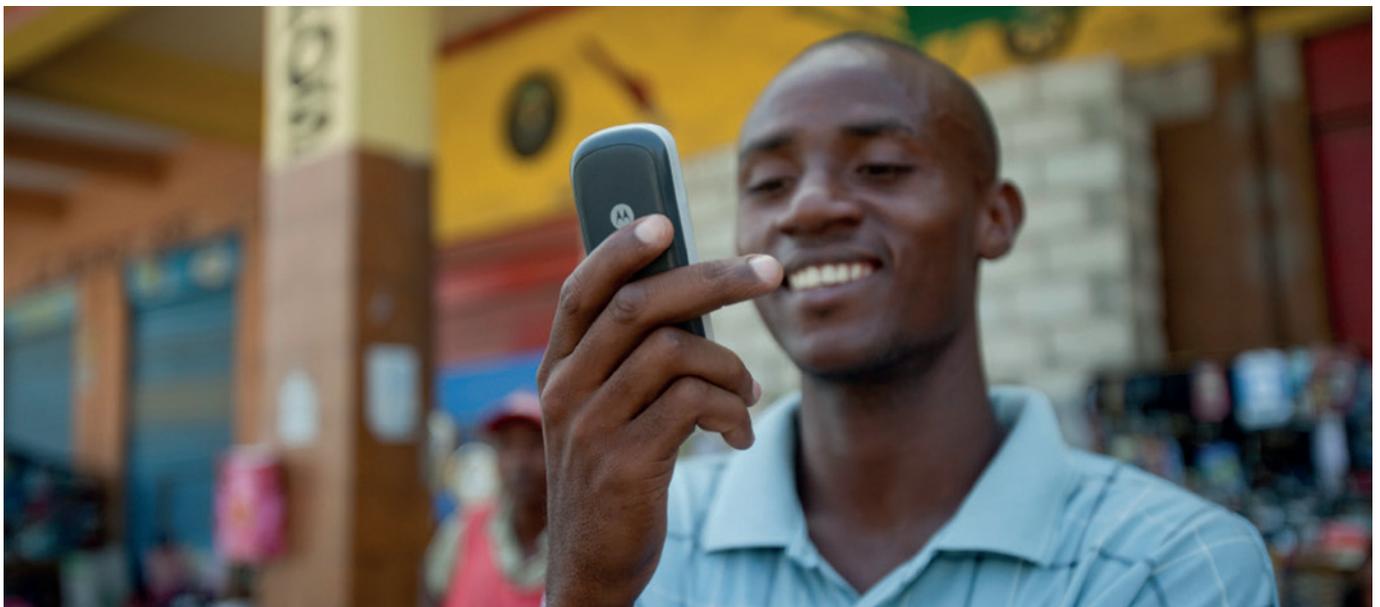
In many markets, remittances provide a large share of income and Africa is no different. In fact, they are the 2nd largest contributor to the country's GDP. Therefore, the digital termination of remittances is not only a key business model, but also a "launch pad" for broader mobile financial services products. A great example of this business model is Zeepay in Ghana.

Another large contributor to the GDP in Africa, is the micro-entrepreneur. Lack of formal state benefits in most African countries is a key spur to micro-entrepreneurship. A number of Fintech business models have disrupted the traditional microfinance business model with new ways of originating, underwriting, dispersing and collecting credit to micro-entrepreneurs. In most African markets providing credit, as opposed to collecting credit, is not subject to regulation.

### **COVID-19 Fallout – Getting Over the Technological Hump**

The COVID crisis and lockdown situation has in fact been a coup in terms of the adoption of digital payments. People simply don't want to leave their homes, meaning an increase in demand for digital banking services and online payment platforms. Kenya, now the biggest mobile money country in Africa, was the first to adopt mobile money, but why are they arguably so far ahead in the game?

Most analysis now points to the post-election violence in 2007 - when the USSD payment technology was pioneered – which left people scared to leave their homes, hence people quickly got over the adoption hump and were more willing to embrace new technologies. Of course, it does help that the complicated issue of data privacy simply isn't an issue in Africa and is seen as a first world problem.





COVID also means that we are expecting to see a ramp up in the activity of development banks, which is extremely important as they are increasing capital levels which makes its way in to the bricks and mortar financial sector.

### Global Players Looking for Market Share and Synergies

There isn't the same conveyor belt of funding available in Africa, hence companies find themselves forced to be profitable and mature sooner. Luckily, with lower operating costs, it's easier for companies to break even earlier. If we look at a Series A company, that has an 8-year operating history, a proven model and is profitable, yet it hasn't scaled, this company is actually as mature as a Series B company in many other countries. It's not surprising therefore, that in Africa it is often said, that you get *"Series B maturity in a Series A raise"*.

In terms of the most active players, there is a wealth of global Fintech investors, including VCs, PE and strategic investors. We have a lot of experience in this sector, executing transactions in 20 African countries, and have built up a strong relationship with around 30 key investors, and we have contacts with many more. It seems that at the moment, VC funds on the West Coast are very keen to do at least one Fintech deal in Africa, driving an increase in the level of interest in African Fintech firms and technology.

We are currently seeing high levels of cross border M&A opportunities. Though the traditional credit card business model utilized across the rest of the world has been slow to take off in Africa, global payments groups are increasingly seeking to buy up market share, looking for synergistic businesses, as well as other payment channels, such as mobile wallet, VSR codes, mobile money, remittances, etc. Large Chinese players for example, continue to buy-up the technology

There just isn't the same conveyor belt of funding available in Africa, hence companies find themselves forced to be profitable and mature sooner.

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value chain, essentially expanding where they are most strong. Another driving factor is consolidation.

### Dealmaking in the Current Environment

When it comes to exit, Africa, along with perhaps LatAm, is a fulcrum between East and West, thus the high number of acquisitions and investments. Leading US payments businesses such as VISA, Mastercard and Paypal are actively acquiring investments/ businesses, competing with leading Chinese tech giants such as Ant Financial, Tencent and Transsient.

If we look at where we are today, compared to a year ago, COVID has had a significant impact, with valuations now sitting at roughly half of what they were.

At the end of the day, people are still happy to do deals. Even though processes, such as due diligences may perhaps take longer now, we have the technology available to help facilitate a "virtual process". We have even undertaken virtual site visits, in fact, you could say it's almost easier to buy a company without physically seeing it, than perhaps buy a house.

In terms of general advice to our clients, simply put, 24 is the new 12. By this I mean that we would generally advise clients looking to sandbag their business plans to ensure they have 12 months of funds available. However, with things how they are, our new recommendation would be to up this to 24 months. ■

# Definite Winners Emerging in the Industrials Sector



**DAVID BENCH**

Managing Director  
Capstone Headwaters – IMAP USA  
david.bench@imap.com



**RICCARDO MARTINELLI**

Partner  
Vitale & Co. – IMAP Italy  
riccardo.martinelli@imap.com



**DR. BURKHARD WEBER**

Partner  
IMAP Germany  
burkhard.weber@imap.com



**CHRISTOPHER CARDINALE**

Vice President  
Capstone Headwaters – IMAP USA  
christopher.cardinale@imap.com

IMAP Industrials Sector Leaders: David Bench, Riccardo Martinelli, Dr. Burkhard Weber, and Christopher Cardinale share insights on the effects of the COVID pandemic on the Industrials sector and take a look at which sub-sectors have proven more resilient and those that continue to struggle. They also highlight the motivations and drivers for M&A activity and expectations moving forward as the sector recovers.



Whenever there is a downturn in the economy, the Industrials sector tends not only to get hit the hardest, but also lag during economic recovery, resulting in a volatile M&A market. Contributing factors include capital intensity, option for delayed capital expenditures, fluctuation in raw material costs, and offshore competitive threats. Following the COVID pandemic, Industrials, along with the Energy and Gas sectors, has been severely hit, with activity cut in half, resulting in the usual compression on valuations and multiples. However, this economic event is unique – it's sector specific.

### **More Resilient Sub-Sectors Emerging as Strongest Performers**

The industrials market is so broad, touching every part of the global economy, that performance and M&A activity is dependent on end market exposure. Many subsectors are currently suffering from a high level of uncertainty and those exposed to industries impacted by lockdown policies, such as travel and hospitality, are lagging in the M&A markets.

### **China Remains a Concern for Businesses Across the Globe**

Even before the COVID pandemic, trading relationships with China were top of mind for many countries across the globe. It's relationship with the US was already disrupted due to the China-U.S. trade war going into 2020, with impacts such as tariffs that were forcing US manufacturers and distributors to rethink supply chains. In Europe, Germany, for whom China had been a major force in acquiring businesses, has seen a sharp decline in interest, as Chinese technology has advanced to the point they no longer have the need for foreign companies. At the same time, the Chinese government is restrictive in allowing money to be invested outside of China, complicating deal making.

Since the pandemic hit, regardless of country, any business which has a supply relationship with China has experienced a disruption in the supply chain, due to constraints, as well as increases in demand for certain types of products. In the US, a dramatic supply shift has increased demand for other supply sources in Asia and Mexico, as well as at a domestic level to diversify away from this reliance on Chinese productions.

At the same time, there are certain sub sectors with favorable and resilient end market exposure that continue to perform strongly:

- **Building/Infrastructure** - low interest rates, combined with aging infrastructures that require updating, revision and replacement, has resulted in a high level of interest across the supply chain and M&A activity has remained strong.
- **Industrial and facilities services** - for retail and grocery, with a focus on cleaning and sanitation, as well as "at home" industries.
- **Industrial technology** - such as automation, robotics (incl. factory and warehouse robots) and sensors are healthy markets driven by major trends and consequently not affected by COVID.
- **Metal fabrication** - serving military as opposed to commercial aerospace and medical sector.
- **Packaging** - for e-commerce and consumer staples such as food.
- **Semiconductor** - and related industries anticipating 5G.
- **Value-added industrial distribution** - of essential products such as packaging supplies, PPE equipment.



# Industrials Sector: Global Trends Motivating M&A Activity

Though COVID has accelerated the level of opportunistic M&A, there are many other trends driving deals in the Industrials space:

## ADAPTING TO THE TIMES

The Industrials sector tends to have a more traditional face-to-face culture and building trust is extremely important, which is challenging in the current situation. However, for the first time, IMAP partners are signing up clients that they have never met, which would normally be unthinkable, and managing full buy and sell processes virtually.



## CORPORATE M&A

Strategic disposals by corporates continuing to go “all out” (in need of solution vs purchase price) and cleaning up non-core portfolio, in particular assets that even prior to COVID would not have transacted at an optimum price). Opportunity for restructuring and turnaround funds to buy businesses for a discounted multiple. PE sellers also pursuing such deals to clean-up assets for better disposals in 2 years.



## DISTRESSED M&A

Multiples have come down so compression in debt capacity and debt financing has led to an increase in distressed M&A. Furthermore, many companies will have received support initiatives or rescue deals from governments at the start of the pandemic, none of which are infinite, so many businesses will be forced to sell at discounted prices/multiples.



## E-COMMERCE

There is higher interest in companies integrating e-commerce into selling industrial products to B2B and B2C channels. At the same time, prices are being driven up by midcap PE firms, trade buyers and financial investors interested in companies benefiting from sharp growth in e-commerce volumes.



## ROLL-UPS IN FRAGMENTED MARKETS

Highly fragmented markets, such as machining and plastic packaging are attractive as investors look to buy and build regional market leaders for a premium multiple exit over the next 10 years. The Automation market is another great example, with many companies doing rollups and getting larger, benefiting from the healthy industrial technology market.



## PE INTEREST

There is little activity from PE funds raising new funds exits, however, PE funds previously raised large amounts of capital and are sitting on cash, looking to invest in more resilient industries. Large deals are on hold, so more activity in small and mid-market. Interest in leading players in small niche markets and buying platforms to build larger global players via acquisitions, as well as more add-ons. Prices are being driven up by cheap lending, available funds, and few attractive deals.



## OPPORTUNISTIC SELLERS

By going to market now, with a good history of earnings over the last few years, sellers can accept high earnouts rather than hold on for another 2-3 years when they would be valued on the base of low performance.



## OPPORTUNISTIC BUYERS

Now's the time to do rollups, pick up companies at depressed multiples and lower valuations in anticipation of a pick-up.



### RESHORING & SUPPLY CHAIN



Supply chains have shifted and will become more localized due to renewed focus on raw material, product sourcing and supply chain efficiency. As many companies' nearshore fabrication, smaller suppliers serving resilient end markets will see a significant increase in business. Likewise, distribution centers that can handle small quantities, a fast turnaround and quick delivery will experience demand.

### TECHNOLOGY/DIGITALIZATION



Affects all industries looking to move into the digital space. Heightened focus on increasing productivity using factory and warehouse robotics, automation, sensors and related software and technology. Many large industrial players are looking to augment operations and enhance product offerings through acquisition.

### First Steps on the Road to Recovery

With the gap between bid and ask narrowing as more opportunities surface on the market and a pick-up in interest, there has been an increase in M&A activity in the last few months. However, the Industrials sector is not recovering as quickly as other sectors such as Healthcare and Tech. Furthermore, the world is now experiencing a second wave of COVID, affecting

performance, and causing uncertainty in the market, therefore, many projects are at risk and likely to remain on hold until next spring/summer. Whilst sub-sectors with favorable end market exposure are seeing strong M&A activity, those serving struggling industries are suffering. Expectations are that pre-COVID market activity levels will return, but not until the latter half of 2021. ■

## IMAP Sector Leaders Opinions on Market Trends

*"In the US, e-commerce represented about 18% market share of all retail sales in 2019 and that share has recently been growing at about 2-3% per year. In 2020, this market share increase is projected to be at least 6%, representing approximately 3 years worth of market share growth. COVID has accelerated the growth of e-commerce which, depending on the end market will have a huge impact on Industrials."*

**David Bench**

*"In Germany, the Automotive industry has traditionally been a driving force of the country's economy and with lots of firms and value chains directly serving them, the pandemic has had a substantial impact on the Industrials space. However, on the other hand, automation technology has been an accelerator of change in the industrials space making many other businesses grow and shine even in pandemic times while disrupting outdated business models."*

**Dr. Burkhard Weber**

*"In Italy, the start of the pandemic led to many companies being locked down and unable to operate for some time and even when they did come out of lockdown, found themselves operating with low visibility, leading to order intake and backlog at their lowest historical times and customers postponing capex."*

**Riccardo Martinelli**

*"Industrials is so dependent on the end market being served: a business can make 2 similar products, with similar processes but if sold to 2 different customer bases, one could do well and the other not – due to the unique economic environment we're in."*

**Christopher Cardinale**

Read more about our global view on M&A in the Industrials sector in the full report:  
**Industrials IMAP Global M&A Insights – Nov 2020**  
[www.imap.com/publications](http://www.imap.com/publications)



# Despite Huge Growth the Automotive Industry Remains Under Pressure



**MICHAEL KNOLL**  
IMAP Germany  
michael.knoll@imap.com



**FERNANDO CABOS**  
IMAP Spain  
fernando.cabos@imap.com



**PAUL LOUIE**  
Capstone Headwaters - IMAP USA  
paul.louie@imap.com



**YOGESH PUNJABI**  
Capstone Headwaters - IMAP USA  
yogesh.punjabi@imap.com

IMAP global Automotive Sector Leaders: Paul Louie, Yogesh Punjabi, Fernando Cabos and Michael Knoll look at the current state of the Automotive Industry and detail new megatrends forcing businesses to rethink their strategies, as well the key factors that will determine the future success of OEMs and suppliers.

## Further Regional Shifts in the Automotive Space

At first glance, the signs are positive for the global Automotive market. Studies show that global motor vehicle production is growing at a CAGR of 2.3% at given capacity levels and by 2025, is expected to exceed 100 million vehicles per annum, with the market share for electrical vehicles sales forecast to grow 6-times by 2025. In fact, even before the outbreak of the COVID pandemic, the industry was facing significant disruption by technology megatrends. Alongside the traditional adjacent

industries (insurance, finance and fuel supply), advancements in connected car, autonomous vehicle, sharing/subscription, and electrification (CASE) technology, along with the shift in how consumers think about mobility, are rapidly changing the classic Automotive value chain. Valuations also reflect this; metal body parts for example are trading in low multiples, yet anything related to technology, such as mirrors or sensors, are trading at double digits, clearly demonstrating the immense potential for disruptive CASE technologies.

On the downside, following the outbreak of COVID, forecasters expect a decrease in vehicle production in 2020 by up to 40%, especially in Europe, Japan, Korea, and North America. China, meanwhile, which is the most important Automotive market worldwide (28% market share) is witnessing a growing overall market and the COVID fallout in other countries is only expected to accelerate its importance in global vehicle manufacturing. This raises the question, are OEMs and suppliers located where they should be? Having invested heavily in manufacturing plants and with hundreds of thousands of employees, they find themselves located in economies, which unlike South East Asia, are seeing a decline in production. In the future, they will be faced with the challenge of relocating to emerging markets. Those suppliers who don't in turn follow their customers, open the door for M&A opportunities.

**Underlying Growth yet low Valuations Leaves the Industry Under Pressure**

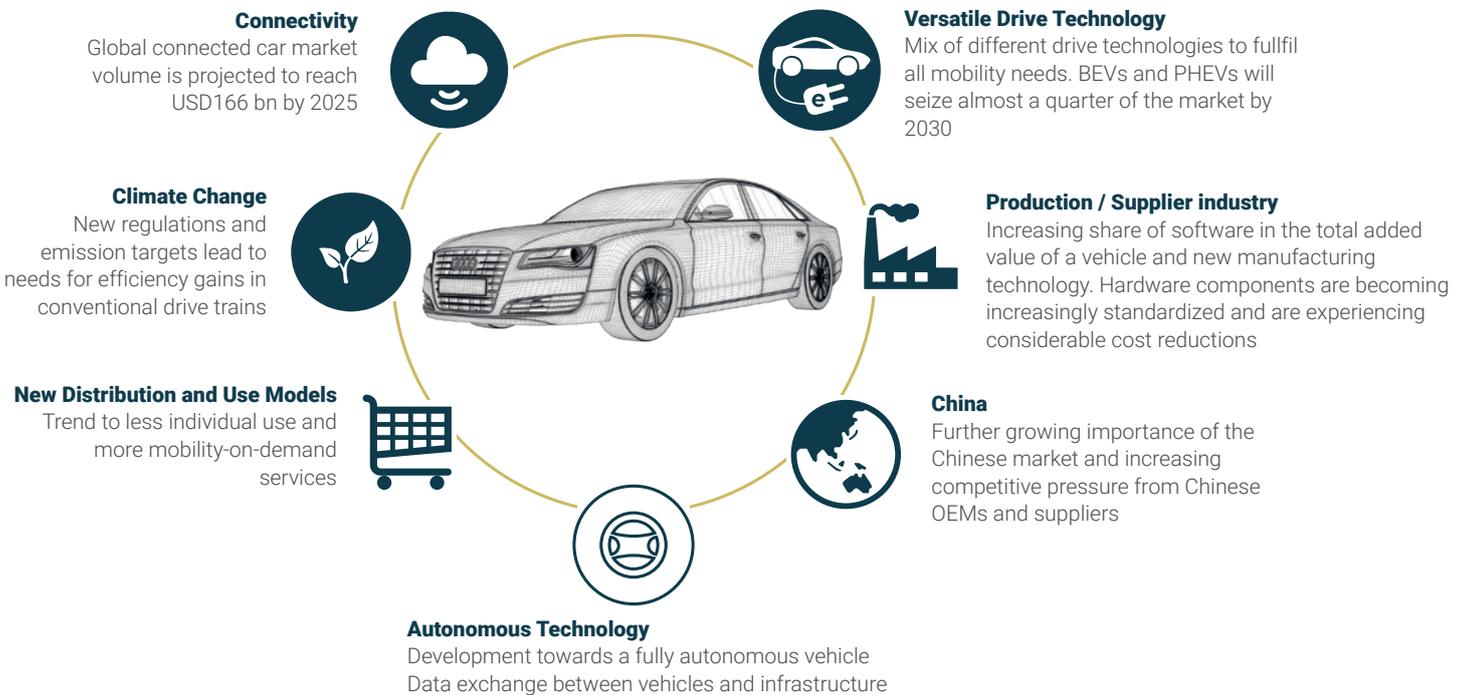
If we look at OEM's in Europe, the US and Asia, despite the market growth, valuations are decreasing, with EBIDTA multiples currently at a median of 7.5. Analysis of EBIDTA margins by sector from 2016-

2019, demonstrates the situation is similar for the top 100 Automotive suppliers, with EBIDTA multiples down to 4.2X in 2019. Interestingly, looking at their segment margins, the multi-technologies segment is leading at 13%, marginally higher than the control/electronics segment at 12:50%. Low EBIDTA, in conjunction with high CAPEX (3-5%) means that PE and financial investors are refraining from investing in mid-cap companies in the industry.

**Is Automotive Ready for Disruption?**

For many years now, one of the biggest threats for say a German mid-cap supplier, was having to continuously follow its customer. Now, however, there are new megatrends that are forcing companies to re-evaluate their business models.

These threats result in OEMs and suppliers now challenged with financing massive Capex, needing investment to adopt technological changes and in search of solutions to solve production shifts and competitive pressure. All of which is compounded by the COVID pandemic, forcing many to assess whether it's time to grow or go and how to get in front of the curve.



Key questions for future successful OEMs and suppliers:

- 1 How to finance massive Capex?
- 2 How to adopt rapid technological change?
- 3 How to solve production shifts and competitive pressure?



**Grow or Go – Time to Decide**  
**How to get in front of the curve?**  
**How to save what can be saved?**  
**M&A as an indispensable tool set?**

### Pinpointing the Opportunities for M&A

Macro trends, including sector structural and CASE technology related challenges, in conjunction with COVID 19, are the primary drivers of M&A:

	Challenge	Driver	Where to find M&A opportunities
Macro Trends	 <b>Structural</b>	<ul style="list-style-type: none"> <li>✓ Gain size</li> <li>✓ Access new geographies</li> <li>✓ Cost reduction</li> <li>✓ New materials - weight reduction</li> <li>✓ Demand stagnation in the LT</li> </ul>	<ul style="list-style-type: none"> <li>✓ Large Tier 1: IPOs as the means to access to capital</li> <li>✓ Tier 1 + large Tier 2: Merger / alliances</li> <li>✓ Domestic sector consolidations</li> <li>✓ Cross-border acquisitions (market, tech or LCC driven)</li> <li>✓ Lighter / materials tech acquisition</li> <li>✓ Recyclable materials driven M&amp;A</li> </ul>
	 <b>CASE Tech</b>	<ul style="list-style-type: none"> <li>✓ Need for presence in Autonomous and Electric Vehicles (AV/EV)</li> <li>✓ Convergence of different industries: car, power, tech</li> <li>✓ Other fuels - Hydrogen</li> <li>✓ New consumption habits</li> </ul>	<ul style="list-style-type: none"> <li>✓ Tech companies continue to invest in the AV/EV space</li> <li>✓ Utilities investing in EV infrastructure and Tech</li> <li>✓ OEMs insist on becoming "service" companies</li> <li>✓ Large interiors Tier 1 to invest in telematics to prevent Apple and the like from becoming interiors Tier 1</li> <li>✓ Motor Tier 1 to access to EV engine parts manufacturing</li> <li>✓ Power electronics</li> <li>✓ VC investing heavily in AV / EV tech</li> </ul>
Cycle related	 <b>Covid 19</b>	<ul style="list-style-type: none"> <li>✓ Production re-concentration and plant shut-down</li> <li>✓ Operational Loss</li> <li>✓ Over-indebtedness</li> </ul>	<ul style="list-style-type: none"> <li>✓ Underperforming plants disposals</li> <li>✓ Opportunistic acquisitions</li> <li>✓ Distressed M&amp;A</li> <li>✓ Financial restructuring</li> <li>✓ Reallocation of orders to closer suppliers (logistic risk)</li> </ul>

Despite all the industry challenges, M&A in the Automotive sector still amounts to 5% of IMAF's transactions. Over the past 3years, IMAF has closed 41 transactions (disclosed), 93% of which were industrial, demonstrating the importance of our knowledge of the local industry in every country. Furthermore, 42% of the deals were cross-border, proving it is essential to have the right global partners to successfully close deals.

#### Deep Dive into the Automotive Aftermarket

The Automotive Aftermarket industry, which generally trails the new vehicles market by around 4-6 years, is expected to take a big revenue hit, with forecasters warning low to mid-single digits, given the pandemic, and resulting shutdown.

However, the new second wave and subsequent lockdown measures, may well mean that aftermarket revenue declines reach 12% and 15% in the US and Europe, respectively. At the same time, with more people at home, we are seeing a dramatic shift towards aftermarket e-commerce channels, which is expected to beat original projections by over USD 1.9 billion. Furthermore, as car density across the globe declined in 2020 compared to last year, there were fewer collisions and miles driven, as well as less wear and tear, heavily impacting the Afterparts market. Discretionary spending, such as performance parts and accessories is also expected to drop in fallout of the pandemic.

**Select Trends for 2021 and Beyond**

We have identified several key trends that are shaping the evolving Aftercare market and subsequently its M&A activity:



**Consolidation**

May accelerate due to crisis-related bankruptcies and business closures. Car wash and detailing is a hot sector, ripe for consolidation.



**Do-it-Yourself**

A new category of do-it-yourself (DIY) has emerged, though it's likely to be limited - not all consumers are able to repair vehicles themselves.



**Automation**

By automating manufacturing, distribution centers, and warehouses etc. – hedging against additional disruptions of the labor force.



**Car Parc**

Projected increase in no. of motor vehicle registrations/ total vehicle miles in next 5 years, resulting in more vehicles in need of repair work.



**Outsourcing**

Perhaps more temporary effect, but aftermarket supply chain will change if distributors/retailers commence nearshoring, perceiving a lower risk of disruption.



**Competition**

Industry's largest players increasingly flexing more power and acquiring smaller operators to expand share of the industry. While the industry remains highly fragmented, experiencing moderate revenue growth, these operators regularly experienced growth that outpaced the industry.

### Blue Skies on the Horizon

The Aftermarket is primarily focused on the vehicle consumer and vehicle owner. The good news is that consumers are in a better financial position today than they were during the last recession and expect their financial situation to be stronger in 2021. Furthermore, most economists predict vehicle sales to rebound to pre-pandemic levels within the next 2-3 years as more people prefer to own, rather than rent vehicles or rely on other forms of transportation. Early in 2020, we saw a fall in vehicle miles travelled (VMT), but this has now bounced back as areas of the economy start to recover and people continue to refrain from taking public transport, or car sharing and drive shorter trips as opposed to fly. Millennials are moving out of cities and urban areas to more suburban areas and now require cars for the first time. Additionally, those keeping vehicles for longer periods are apportioning more spending on them.

One key reason that the Aftermarket is so appealing to PE investors, is that even amidst disruption, when many consumers scale back or delay non-essential purchases, enthusiasts will always find a way to keep pursuing their passion, working on their vehicles and purchasing aftermarket parts, and during this pandemic is no exception.

At the same time, there have been lots of positive vehicle aftermarket developments recently. The increase in consumers embracing an outdoor lifestyle has led to an increase in vehicle ownership, growing the total addressable market of vehicles and branded accessory and auto care categories.

Furthermore, stimulus money has also led to an increase in discretionary income for people to spend on their vehicles. A healthy economy and low gas prices have also meant that VMT have repeatedly grown during over the past years.

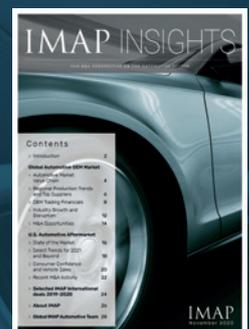
### M&A Landscape and Forecast for Activity

In terms of M&A activity, if we look at the 1,000+ deals closed in the last 10 years, it has been fluctuating somewhat in terms of financial sponsor buyers and strategics (including PE backed buyers), currently standing at around 50/50. Following the summer, we have seen a number of large, as well as smaller transactions closed and expect M&A activity to be robust going into 2021 – specifically the General Repair, Car Wash & Auto Detailing, and Collision segments, which, though impacted by the COVID pandemic, have remained robust and we expect them to benefit from a strong level of activity moving forward. ■

Read more about our global view on M&A in the Automotive sector in the full report:

**Automotive IMAP Global M&A Insights – Nov 2020**

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



# Medical Devices: A Growing Market Despite COVID-19



**GABRIELLA HAJDU-TAR**  
IMAP Hungary  
gabriella.hajdu.tar@imap.com



**JOHN SISK**  
IMAP Ireland  
john.sisk@imap.com



**IAN BUSSEY**  
IMAP Netherlands  
ibussey@imap.nl



**NIALL MORRIS**  
IMAP Ireland  
niall.morris@imap.com

IMAP Global Healthcare Sector Leaders examine industry trends and acquisition dynamics in the Medical Devices sector.

- Considering the sector as a whole, growth expectations are still strong. Underlying demand drivers continue to be solid despite the COVID-19 pandemic. The impact of COVID-19 is reduced because of the wide range of sectors that Medtech covers. There has also been a surge in digital health and technology to support telemedicine.
- M&A activity within the industry remains high with 310 transactions across the globe in 2019. The number of deals in H1 2020 are below H1 2019 H1 levels. This is partly due to the impact on restricted travel for cross border deals, COVID-19 winners are being swamped and losers are reviewing their strategies. Nevertheless the signs are that there has been a significant uplift in H2 2020 as markets normalize.
- The Medical Device market continues to grow at a compound annual growth rate of 5.4%. While growth in the last few years has been hampered somewhat by the tightening of spending by governments, increased cost focus by healthcare payers and an increase in the regulatory burden on medical device companies is leading to higher costs. We are now expecting to see a significant increase in healthcare spending by governments post-COVID-19, reversing a trend that had caused headwinds in some segments of the medical device industry in recent years.
- However, we don't expect increased spending to be spread evenly across all segments of the sector. The focus will likely be on areas that were directly linked to the fight against COVID-19 (e.g. ventilators, laryngoscopes) and medical devices that directly or indirectly reduce the risk of infection (e.g. sterilization equipment, single use devices and personal protective equipment).
- The pandemic cycle has negatively impacted the demand for other products, services, equipment and supplies to the elective surgery market. This is expected to return in the short term with a catch up on elective procedures.

### 30/ SECTOR FOCUS

#### MEDICAL DEVICES

- The trend towards minimally invasive devices & out-patient / doctor's office procedures may also accelerate as these allow a patient to spend less time in a hospital environment where the risk of infection may be higher.
- There will be a focus on the improvement of digital capabilities to keep physician and patient engagement high but remote, which will drive a shift in commercial strategy for providers.
- The severe medical device shortages has led a number of companies to reevaluate their supply chains, considering reshoring and near-shoring.

#### M&A potential in the sector

- M&A activity is likely to follow the aforementioned trends with both trade buyers and private equity backing businesses which fit within them.
- However, geopolitics is also likely to play a role with greater oversight of M&A by governments when foreign buyers are involved, particularly of target companies that may be considered strategically important to public health.

## The global medical device market at a glance

A truly global market with strong fundamentals

#### A huge global market...

# \$ 613 B

Expected global sales by 2025.



#### ... with solid growth expectations

# 5.4 %

Forecast annual market growth rate (2018-2025).



#### Strong M&A activity

# 310

Number of M&A transactions globally in 2019.



#### High value businesses

# 17.0 X

Median EV/EBITDA of listed medical device companies.



### BUT THE MARKET IS NOT WITHOUT ITS HEADWINDS...



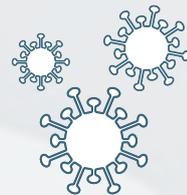
#### Margin pressure

Cost pressure from payers with increased focus on cost-benefit of treatments.



#### Regulatory burden

Implementation of MDR to have material impact on European market and beyond.



#### COVID-19

Likely to be winners and losers. Not all companies will benefit from higher public health expenditure post-COVID.

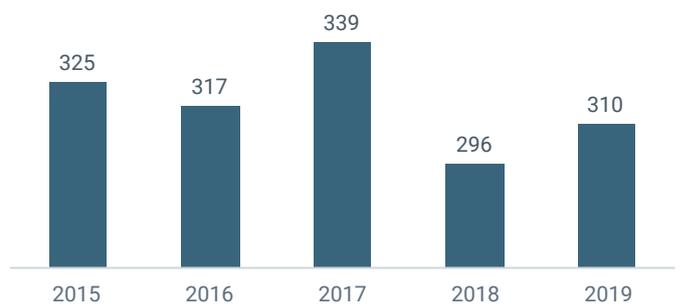
# M&A continues to be a feature of the industry

- M&A activity within the industry remains high, with >1,500 transactions globally since 2015.
- North America represented c.40% of M&A by transaction volume and with c. USD 170 billion of disclosed value<sup>(1)</sup>. The European market was the 2nd largest at 36% of volume and disclosed value c. USD 115 billion<sup>(1)</sup>. Given these regions are also the world's largest healthcare markets, combined with their high levels of device R&D, it is perhaps not surprising they are also the largest M&A markets.
- Medical device companies were the most active buyers while financial buyers (e.g. Private Equity) made up c. 15% of the total by volume <sup>(2)</sup>. There is a high degree of expertise required to invest in medical devices, and therefore Private Equity that do, tend to be specialist investors, not generalists.
- The most active buyers were the large U.S. listed strategics, Stryker (16 transactions), Boston Scientific (12) and Medtronic (10). However, these three buyers made up only c. 2.5% of total deal

volume, demonstrating, that many companies engage in M&A across the industry.

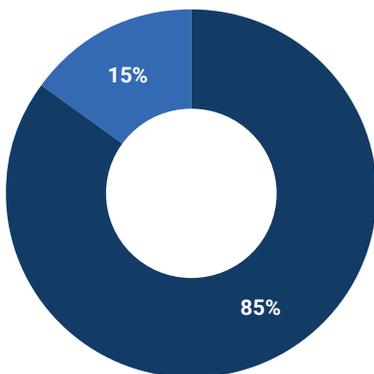
- Areas of M&A focus for the three large strategics has tended to be in the respiratory, cardiovascular, imaging and orthopaedic segments, accounting for 53% of their transactions since 2015.

Global M&A activity by year (no. transactions)



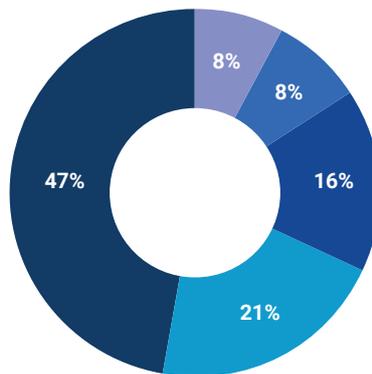
Source: S&P Capital IQ

Buyer type (2015-2020)



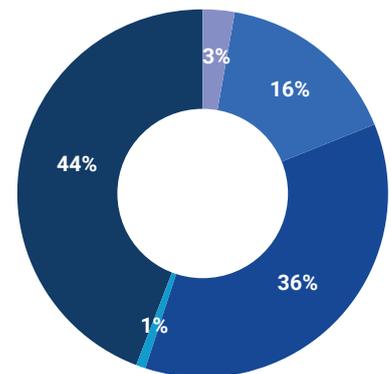
■ Company  
■ Financial

Top 3 Buyers - areas of focus (2015-2020)



■ Respiratory  
■ Imaging  
■ Orthopaedic  
■ Cardiovascular  
■ Other

Transactions by region (2015-2020)



■ MEA  
■ APAC  
■ Europe  
■ LATAM  
■ North America

Source: S&P Capital IQ

1) Many transaction values are not disclosed. Therefore disclosed value is not a reliable indicator of total M&A activity

2) Excludes Venture Capital funds that typically invest earlier in a company's lifecycle (Seed rounds, Series A, B, C etc) and do not acquire the business outright or take large majority positions

## M&A drivers and trends



### ECONOMIES OF SCALE

The medical device industry has seen increased R&D and materials costs, payer cost pressure and increased regulation, all of which put pressure on margins. Therefore, economies of scale has become more important and M&A can assist a company in achieving these.



### MARKET ACCESS

M&A offers a way for companies seeking to enter new geographic and/or product markets or consolidate market position in existing ones.



### INNOVATION

Recent years have seen huge device innovation, in particular in devices focusing on better value outcomes, e.g. minimally invasive devices that move procedures out of the OR. For a large medical device company it can be easier and quicker to acquire a company with an innovative new device than develop it itself.

## KEY TREND: BIG OR SMALL ACQUISITIONS?



### Is big beautiful?

- The large strategics have a history of making both large and small acquisitions.
- As they have grown, their ability and appetite to undertake large transactions that “move the dial” by adding material levels of sales has also increased.
- Stryker’s largest acquisition to date was of K2M in 2018 for EUR 1.4 billion. Medtronic’s was the USD 42 billion acquisition of Covidien in 2015.



### Or is small good too?

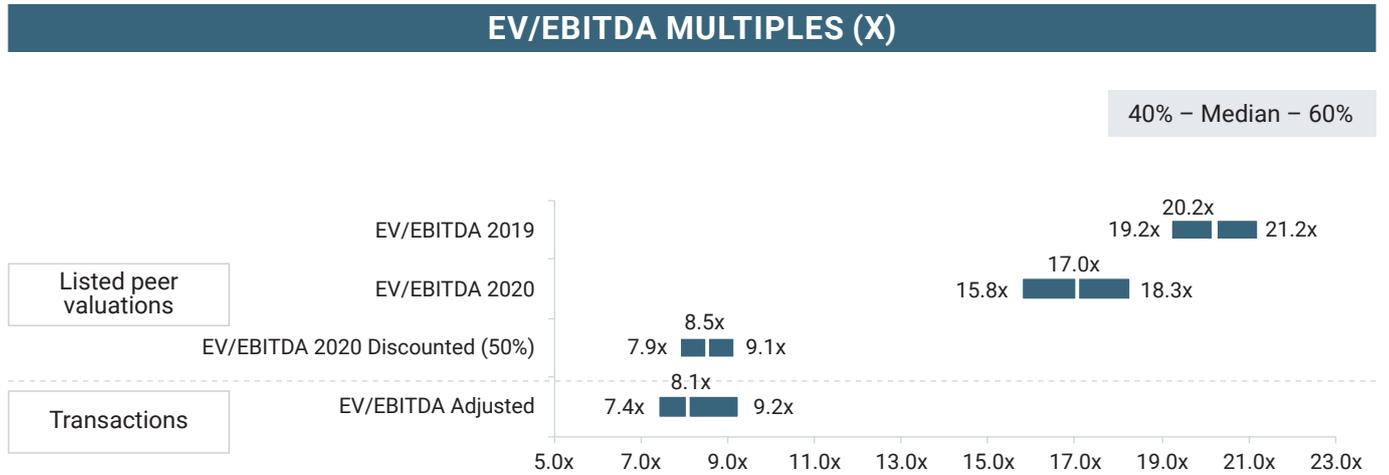
- The strategics also acquire small targets (e.g. Stryker’s USD 10 million acquisition of Arrinex, Boston Scientific’s USD 75 million acquisition of Xlumena).
- This is typically when the device targets a large or valuable underlying market. Or, the device may fill a gap in the strategic’s product offering that it wishes to fill for tactical reasons (e.g. to match a competitor device or cross sell to customers).
- Outside of this, acquirers of smaller companies are likely to be mid-market players.

# In focus: European Medical Device Regulation



- The new EU medical device regulation (MDR) represents a material reform of the rules that govern the industry in Europe and is potentially one of the biggest changes to affect the global medical device sector in recent times.
- The long term impact on the medical device industry in Europe is uncertain, but what is already clear is that MDR will lead to more regulatory compliance complexity and costs for medical device companies. This is in addition to the increasing challenges that companies are experiencing in obtaining national accreditations around Europe.
- A potential significant negative impact is that a European company developing a new device and previously considering a dual regulatory approval strategy (FDA approval for the US market and CE marking for the European market) may decide to focus solely on the larger and more homogenous US Healthcare market given the increased challenges of obtaining European approval. Or at least it might prioritise FDA approval. Therefore Europe may not benefit from new device innovation to the same extent as it might otherwise have.
- The impact on medical device M&A in Europe also remains to be seen. However, as we have seen in other industries that have experienced a significant increase in regulation (such as Financial Services), in general more regulation tends to favour larger players who have the resources to deal with the added compliance burden and associated costs. This then tends to be a driver of consolidation as less resource rich, smaller companies seek new owners who can support their regulatory requirements more easily.
- In addition, increased regulation raises barriers to entry that typically tends to favor incumbents. In such environments M&A is often a way for a new entrant to gain access to the protected market.
- Conversely, buyers may be wary of acquisitions in Europe until the full impact of MDR is seen.
- Therefore, MDR may initially lead to a reduction in European M&A due to uncertainty, but over time may actually become a driver of M&A as companies seek to achieve economies of scale or market access.
- Due to the COVID-19 crisis, on 25 March 2020 the European Commission announced that it intends to postpone the MDR application date for one year from May 2020 to May 2021. However, in reality many companies are effectively already operating under the new regime.

# Sector Multiples



Source: S&P Capital IQ

## Listed company valuation trends

Industry valuations have historically remained above that of S&P 500 Index

- Valuations within the industry are high and have historically outperformed the broader S&P 500 index, as well as the S&P 500 Health Care sector index.
- Per the graph below, we can see that medical device company valuations have consistently remained above the benchmark indices.
- Along with most sectors, valuations were heavily impacted by the COVID-19 induced market sell off in March. However, the sector has rebounded strongly since and has outperformed the benchmark indices as it is seen as a net beneficiary of the crisis.



# IMAP partners in Mexico and the USA jointly advise Maxitransfers on its sale to Housatonic Partners



**GILBERTO ESCOBEDO**  
Managing Partner  
IMAP Mexico  
gilberto.escobedo@imap.com



**DAVID BENCH**  
Managing Director  
IMAP USA  
david.bench@imap.com

IMAP Mexico and Capstone Headwaters are pleased to announce that Investar Financial Corporation has sold a majority stake of Maxitransfers Corporation (“Maxi”), a leading service provider for fast, secure, and reliable international money transfers, to Housatonic Partners, a growth-oriented private equity firm focused on investing in recurring services companies in the U.S.

Maxi is a money services business (“MSB”), providing primarily money transfers in the US-Latin American corridor since the early 2000’s. Maxi operates through a network of over 2,800 active agents in 44 U.S. states and over 40,000 payors in 17 Latin American countries. Maxi has experienced annual growth rates of over 25% in the last 5 years and has positioned itself in the top 5 MSBs in the LatAm corridor.

Housatonic Partners is a private equity investment firm founded in 1994, with more than USD 1.3 billion in capital under management. The firm invests in growing, profitable businesses with high recurring revenues. Housatonic Partners has backed exceptional management teams in over 90 small to mid-sized companies over the last 26 years.

The IMAP teams from Mexico and the USA, led by Gilberto Escobedo and David Bench, advised Investar Financial Corporation throughout the sales process. ■

FINANCIAL SERVICES 

**HOUSATONIC**

Growth-oriented private equity firm focused on investing in recurring services companies  
UNITED STATES

Acquired Majority Control of Business Operations



International money transfers and bill payment services  
UNITED STATES

IMAP  
ADVISED ON SALE OF COMPANY

# IMAP Ireland advises The Carlyle Group on sale of its holding in AA Ireland



**JONATHAN DALTON**  
Head of Corporate Finance  
IMAP Ireland  
jonathan.dalton@imap.com



**JOHN SISK**  
Senior Advisor  
IMAP Ireland  
john.sisk@imap.com

IMAP Ireland represented global private equity firm, The Carlyle Group, on the sale of its majority holding in Irish insurance broker and roadside assistance provider, AA Ireland, to the U.S private equity fund, Further Global.

Founded in 1910, and now with 495 employees, AA Ireland operates throughout Ireland in 2 sectors – Roadside Assistance and Insurance broking. It is Ireland’s leading roadside assistance provider, employing a membership model and operating the only premium branded fleet in the market. It is also one of Ireland’s largest Motor insurance brokers, with c.20% of the intermediated market, a strong position in the Home insurance market, along with strong growth in its travel insurance business. Ancillary business lines include AA Roadwatch, which provides national traffic and travel updates, and AA Hotels, which provides hotel ratings around the country.

The Carlyle Group acquired AA Ireland in 2016 as a carve out from UK based AA Plc. Under The Carlyle Group’s ownership, the company undertook a significant operational and IT transformation to become a fully stand-alone business that is now primed for growth.

Further Global is a New York based private equity firm that focuses on the financial services industry. Founded in 2017, it targets equity investments of USD 75-200 million. AA Ireland is its 7th investment to date and marks its first investment in the Irish market. AA Ireland will continue to operate as an Irish-based

company and will leverage Further Global’s expertise for the next phase of development.

The IMAP Ireland team, led by Jonathan Dalton and John Sisk, advised The Carlyle Group on the sale of AA Ireland. ■

FINANCIAL SERVICES 

  
Private equity investor  
UNITED STATES

Acquired Majority Control  
of Business

  
Insurance broker and roadside assistance  
IRELAND

IMAP  
ADVISED ON SALE OF COMPANY

# IMAP India advises electronics and RFID specialist Syrma Technology on capital raise and merger with SGS Techniks



**PRAVEEN NAIR**  
Director  
IMAP India  
praveen.nair@imap.com



**PUNEET SINGH KOCHAR**  
Executive Director  
IMAP India  
puneet.kochar@imap.com



**DEBASHISH PANIGRAHI**  
Vice President  
IMAP India  
debashish.panigrahi@imap.com

IMAP India advised Syrma Technology (“Syrma”) on both its cash cum stock merger with SGS Techniks and raising PE capital for the cash purchase of a part stake in SGS Techniks ahead of the merger. The combined business unit creates a platform with 4500+ employees, 110+ customers and 8 production facilities across India. Both companies have a considerable track record of growth and the combined business is expected to emerge as the largest EMS provider for the Industrial sector. PE fund Global Environment Fund enabled Syrma to acquire a strategic stake in SGS Techniks ahead of the merger process.

Established in 2005, Syrma provides turnkey electronics contract manufacturing and innovative products in RFID and magnetics, achieving revenues of USD 55 million in FY 2019-20. It is part of Tandon Group, which has a 40-year presence in electronics manufacturing and exports. The company has 4 production facilities in India and serves 65+ OEM customers across sectors including: Aerospace, Automotive, Consumer, Healthcare, Industrial, Opto-electronics, Power, RFID/Wireless, Smart homes, Software and Telecom.

Upon researching the EMS sector, the team concluded that it is a fragmented industry, with strong tailwinds and ripe for consolidation to enable faster growth and margin expansion.

SGS Teknics is a high-mix and medium-volume electronics manufacturing services company, serving industrial companies and achieved revenues of USD 57 million in FY 2019-20. The company's offerings include PCB assemblies, box build and electronic design services. It has 4 manufacturing units in India and serves clients across a diverse set of industries including: Industrial electronics, Energy metering, Water purification, Power supplies, Auto electronics and Office automation.

Praveen Nair from IMAP India led on this transaction, along with Debashish Panigrahi and Puneet Kochar. Upon researching the EMS sector, the team concluded that it is a fragmented industry, with strong tailwinds and ripe for consolidation to enable faster growth and margin expansion. Syrma and SGS not only complemented each other's business but also differentiated from their peers in operation size, quality of earnings and the strength of their management teams. IMAP also assisted with the involvement of global PE fund, Global Environment Fund, to enable cash financing of the transaction and provide a governance framework for the merged entity with a defined path to public listing in the medium term. ■

INDUSTRIALS 

  
Leading Indian company providing Electronic Manufacturing Services and RFID products  
INDIA

Acquisition by way of  
Cash cum Stock Merger

  
Leading provider of Electronic Manufacturing Services in India  
INDIA

IMAP  
STRATEGIC & FINANCIAL ADVISOR

INDUSTRIALS 

  
Leading Indian company providing Electronic Manufacturing Services and RFID products  
INDIA

Private Equity Raise

  
GLOBAL ENVIRONMENT FUND  
Private Equity Fund  
INDIA

IMAP  
STRATEGIC & FINANCIAL ADVISOR



# IMAP France advises BIOGROUP on the acquisition of CMA-Medina in Belgium



**CYRIL KAMMOUN**  
CEO & Managing Partner  
IMAP France  
cyril.kammoun@imap.com



**DAVID AMAR**  
Managing Director  
IMAP France  
david.amar@imap.com

BIOGROUP has acquired CMA-Medina, the leading player in medical lab testing in Belgium. This is BIOGROUP's first acquisition abroad, and part of a strategy to become a leading European player through expansion into other countries, while continuing its development in France and Belgium. Following the transaction, BIOGROUP will be majority owned by Dr Stéphane Eimer and the De Raedt-Verheyden family (founder of CMA-Medina).

Currently majority-owned by Doctor Stéphane Eimer, BIOGROUP operates over 710 labs, located in Eastern France, Ile-de-France, Nouvelle-Aquitaine, Provence-Alpes-Côte d'Azur, Rhône-Alpes, Corsica and Western France. The Group is the leading player in medical lab testing in France with a pro-forma revenue of EUR 930 million in 2019. Owned by Straco, the De Raedt-Verheyden family's holding company, CMA-Medina is the leading player in medical lab testing in Belgium, with 8 laboratories and 25 sampling centers, mainly in Flanders.

Dr. Stéphane Eimer, Chairman of BIOGROUP declared: "The merger with CMA-Medina is a key step in the development of BIOGROUP and we are proud to now become a leading European player. I look forward to working with the CMA-Medina's team and Straco management to continue the successful development they have achieved in Belgium and now in Europe. The health crisis related to COVID-19 has enabled us to work together to optimize our mutual public health capabilities."

IMAP France acted as financial advisor to BIOGROUP in this transaction and its financing. Degroof Petercam

is the leading player in M&A and financing advisory in the medical lab testing industry, with 11 transactions completed since January 2020. ■



# IMAP Expands its Foothold in Asia



**TUMASAROJ VUTHICHAJ**  
Partner, IMAP Thailand  
tvuthichai@imap.com

IMAP welcomes Discover Management as its exclusive corporate finance partner for M&A activities in Thailand. We profile IMAP's newest partner firm and spoke with Tumasaroj (Tum) Vuthichai, Partner at Discover Management.



## Deep Roots in Investment Banking

Founded in 2013, Discover Management Company Limited ("DM") is a boutique financial advisory firm, located in Thailand's capital city, Bangkok. Between them, its highly skilled team of 18 professionals have considerable years of experience in the field of investment banking and in particular, mergers and acquisitions. Approved by Thailand's Securities and Exchange Commission (SEC), DM provides a wide range of investment banking services: capital market, debt restructuring, partner firm offerings and financial advisory, and solutions to a substantial and diversified client and investor base. At its core, is the team's drive to ensure that DM's interests are perfectly aligned with those of its clients.

## Broad Spectrum of Sector Expertise

Due to the specific market dynamics in Thailand, combined with the low number of Investment Banks in Thailand, due to the strict regulation by the SEC, there is a need for generalists and advisors with a diverse level of industry expertise. DM has closed deals with clients across a wide range of sectors, including Financial Services, Agro & Food, Industrial, Consumer, Property & Construction, Resources, Services and Technology.

### Thailand's Deal Landscape & M&A Prospects

Between 2015-2019, the US and China led global M&A transactions. However, according to Euromonitor International's most recent M&A Investment Index, in 2021 it is expected that Southeast Asian activity is set to surge, ahead of both China and the US. Low borrowing costs in the region, alongside depressed asset values, as more businesses facing liquidity issues in the fallout of COVID-19 are forced to reevaluate price expectations, presents opportunities for acquisitions. Furthermore, due to the political climate in China, many businesses are now looking to Southeast Asia as an alternative for their supply and value chains. Thailand is also the prime gateway to Asia, since the establishment of the Eastern Economic Corridor (EEC), providing access to companies and investors looking to reach the ASEAN marketplace.

Following the low Q2 results, S&P Capital IQ reports M&A deal activity in Thailand in Q3 2020 showing increasing signs of improvement, with 41 deals closed, valued at USD 1,418.9 million. As more businesses choose to expand or merge in an effort to survive the crisis, the opportunity for new M&A deals increases.

Thailand is the prime gateway to Asia, since the establishment of the Eastern Economic Corridor (EEC), providing access to companies and investors looking to reach the ASEAN marketplace.

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Tumasaroj (Tum) Vuthichai, Partner at Discover Management, commented: "For Discover Management, joining IMAP provides us with the opportunity to collaborate with a truly global partner. It is an important step in our growth strategy, whereby we will be able to greatly extend our global reach. Working together with IMAP professionals around the world, will allow us to prove our international credentials to our clients, who are increasingly looking for cross-border opportunities. At the same time, in Discover Management, IMAP has an established partner with a proven track record in Thailand that will enable them to expand their footprint in Asia. Thailand is an attractive market that provides many opportunities for investors and with our local knowledge, experience, and access, we hope to bridge the gap for IMAP clients looking for new opportunities in the Thai and extended Asian market." ■



# Three New Faces on the IMAP Board and Big Plans for the Growing Organization's Future



**FRANÇOIS WOHRER**  
Group Head of Investment Banking  
Degroof Petercam  
IMAP France / Belgium  
francois.wohrer@imap.com



**OLIVIA M. FERRIS**  
Executive Director  
Capstone Headwaters  
IMAP USA  
olivia.moran@imap.com



**GABOR SZENDROI**  
Managing Partner  
Concorde MB Partners  
IMAP Hungary  
gabor.szendroi@imap.com

The IMAP Board comprises 10 members elected for four-year terms by the IMAP Partner Firms. Responsible for establishing the organization's global strategic direction, the Board works to ensure that IMAP continues to grow and deliver exceptional value to its clients. As IMAP welcomes 3 new members to the Board - François Wohrer, Olivia Ferris, and Gabor Szendroi - IMAP Senior Writer, Claire Smedley, had a virtual sit-down with each of them to find out more about their current roles, as well as to discuss their vision for IMAP, the potential challenges that lie ahead in this new virtual culture and their thoughts on opportunities for increased global collaboration across the growing organization.

**First, many congratulations on your election to the Board. Perhaps you can share with us a bit about your role within your firm?**

**FW:** I currently lead the Investment Banking Group at Degroof Petercam. It's a 130 strong team with a EUR 90 million revenue business, split between global markets and corporate finance. My objective is to grow the business, and over the last 3 years, it has grown by 17%, so things are moving along well. I'm also a member of the Degroof Petercam Board and dedicate about 30% of my time to this, which consists of managing group issues across the firm's 3 other business areas: Wealth Management, Asset Management and Asset Services. The bank is highly regulated by the ECB and there are tough regulations and criteria, so I'm kept extremely busy.

**OF:** I'm the Executive Director, and member of the management team at Capstone Headwaters. As well as overseeing all the firm's investment banking activities, I'm responsible for executive strategy planning, execution, and implementation. We are experiencing a high degree of activity and organizational confidence as we look ahead to 2021 and I am currently tasked with developing and deploying our next-phase growth strategy. Being on the IMAP Board will also mean I'll be dedicating more time liaising and enabling our collaboration efforts with the other IMAP partners and driving increased sector teamwork.

**GS:** As a Managing Partner at Concorde MB Partners, I'm kept extremely busy. As one of the, say, smaller



partners in IMAP, I am very involved in the daily running of the business. My time is split between overseeing the overall operations and strategy of the firm and managing the team and deal advisory. We have also been developing a new line of investors, which has been hugely successful and allows us to deliver opportunities to our clients that our competitors are unable to service.

**Where do you believe you can most contribute to the Leadership team?**

**OF:** I'm delighted to serve on the Board, bringing increased diversity, new ideas and enhanced inclusiveness amongst our member firms. I believe an important next step in the organization is to enhance lanes of opportunity for future leadership by putting more focus on involvement from our upwardly mobile Vice Presidents and Directors. This is where I see my strength, leveraging the relationships I have with the people close to the deals. I'm looking forward to the challenges ahead and working to ensure the culture of IMAP remains in this new virtual environment. I enjoy coming up with plans and getting everyone on the same boat to get there. Bringing culture and people together is key.

**GS:** I'm very happy to be joining the Board. Being part of IMAP enables us to cooperate at an international level to support our own clients. Joining the IMAP Board provides me with the opportunity to support the entire IMAP partnership and deepen our capability for collaboration. I have a strong management consultancy background from McKinsey&Co. and hope to introduce some of that ethos into IMAP. For our clients, no matter who is working on a project, we should always present ourselves as one seamless global team, and this is where I feel I can help and support the organization as a Board member. I also hope to get some of our key internal and external programs on a wider footing and launch new ones.

**FW:** I'm very pleased to become a member of the Board. For our firm, IMAP is a great success story. We spent a year looking for the right partner to expand

our international reach and with IMAP we have achieved this. I take on this role representing all the Degroof Petercam Group, bringing to the table our global perspective. M&A is at IMAP's core, and is its strength, but looking forward, there are many more areas in investment banking where IMAP is strong and where we can explore opportunities for increased global collaboration. This is something I feel strongly about and where I feel I can bring my expertise, so I'm looking forward to becoming more involved in IMAP's development over the forthcoming years.

**What's your vision for the IMAP organization moving forward?**

**GS:** As IMAP continues to grow, we need to ensure we take a matrix approach, to ensure the organization is developing coherently. That's why it's important to have initiatives in play, that enable our members to collaborate more easily on a global level. I am spearheading the IMAP Knowledge Hub, which we use to share crucial industry/market insights and IP and I would like to see a Central Research Hub – as we move into more sector focus advising and jointly developing research, this is another area I feel I can contribute. As we move forward, we have to keep in mind, that all the actions and initiatives we take, are essentially designed to enable IMAP to serve more clients, and better.

**FW:** M&A is in IMAP's DNA, but investment banking is not just M&A, it's capital markets, debt advisory, equity advisory, etc. In crises such as this one, M&A is suffering, yet quite a lot of other businesses within investment banking, such as capital markets are suffering less, which is important if you want to have a less cyclical business. IMAP has partners across the globe that offer additional financial services, and as such, I see many other areas where cooperation could be possible – becoming integrated with more products, and where IMAP can diversify. I also see the potential to collaborate on larger deals - IMAP is mid-cap, but working with our global partners, bigger deals can and are being closed. It's also key that IMAP continues with its strategy to expand its global footprint, especially in Asia.

**OF:** I see IMAP continuing to focus on sector cooperation. It is important we share not just our sector knowledge, but also relationships with our local buyers, counterparties, lenders, and investors etc. There's always room for improvement, and we need to ensure that we are relationship strong, as well as industry knowledgeable – this is the power we bring to our global partners and ultimately, to our clients. The current COVID environment makes this slightly more challenging, given we can't physically get together, so we need to look at how we can continue to develop relationships virtually, not just to maintain the moment, and become a stronger, better positioned with unparalleled access.

**What do you consider to be the challenges facing IMAP?**

**FW:** IMAP always needs to ensure it has the right partners in the right market and things are now more complicated, as many things are now virtual, yet we still need to find a way to continue to expand our global footprint. Likewise, as the organization continues to strengthen and grow, we need to look at our strategy in terms of how we operate and cooperate and are aligned so we ensure stronger integration, especially when we offer more than just M&A services. With a high percentage of IMAP's deals being cross-border, international collaboration and being systematic, rational and organized in our approach to provide our clients with one integrated, seamless team is key and something we are always developing, with internal programs and initiatives that facilitate this.

**OF:** One of the greatest challenges we face is the ability to adapt our skillset, service offering and expertise to meet the needs of our clients in uncertain times. Many

companies have emerged from 2020 as a completely different organization with a new set of goals and objectives. Some companies are looking back on strong balance sheets and ready to put capital to work, while others put transaction opportunities on hold and many more are turning to operational restructuring or financial advisory alternatives. IMAP must be ready to rise to the occasion, cognizant of each client's unique needs and ready to bring a fully integrated and customized service offering to the table. We need to be ready and at the forefront of the next 18-24-month wave of M&A activity when it bounces back. Good partners collaborate, great partners serve. I believe we are uniquely positioned to take on this challenge and serve our clients because of our unmatched credentials across the variety of strategic alternatives, deep sector knowledge and global relationships.

**GS:** I would say, ensuring we remain relevant and finding new opportunities to grow the business, especially in challenging circumstance such as those we are currently facing. If we take our home market as an example, we have developed a new line of investors; management teams, for small/mid-market deals: MBI investments. We are also seeing this trend in other parts of Europe, so being specialized in these areas, giving us a competitive advantage over those that don't. This year to date, Concorde MB Partners has closed more deals than all our competitors combined. Even if larger companies want to enter the mid-market space, they don't all understand the market - at the end of the day, we are a leading mid-cap advisory organization, specialists in the market and offering integrated services at an international level so as long as we keep doing what we do best, IMAP will always have its spot. ■

*"For our firm, IMAP is a great success story. We spent a year looking for the right partner to expand our international reach and with IMAP we have achieved this."*

**François Wohrer**

*"I'm looking forward to the challenges ahead and working to ensure the culture of IMAP remains in this new virtual environment. I enjoy coming up with plans and getting everyone on the same boat to get there. Bringing culture and people together is key."*

**Olivia Ferris**

*"At the end of the day, we are a leading mid-cap advisory organization, specialists in the market and offering integrated services at an international level so as long as we keep doing what we do best, IMAP will always have its spot."*

**Gabor Szendroi**



**FRANÇOIS WOHRER**  
Group Head of IB  
Degroof Petercam  
IMAP France / Belgium  
francois.wohrer@imap.com



**OLIVIA M. FERRIS**  
Executive Director  
Capstone Headwaters  
IMAP USA  
olivia.moran@imap.com



**GABOR SZENDROI**  
Managing Partner  
Concorde MB Partners  
IMAP Hungary  
gabor.szendroi@imap.com

# 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

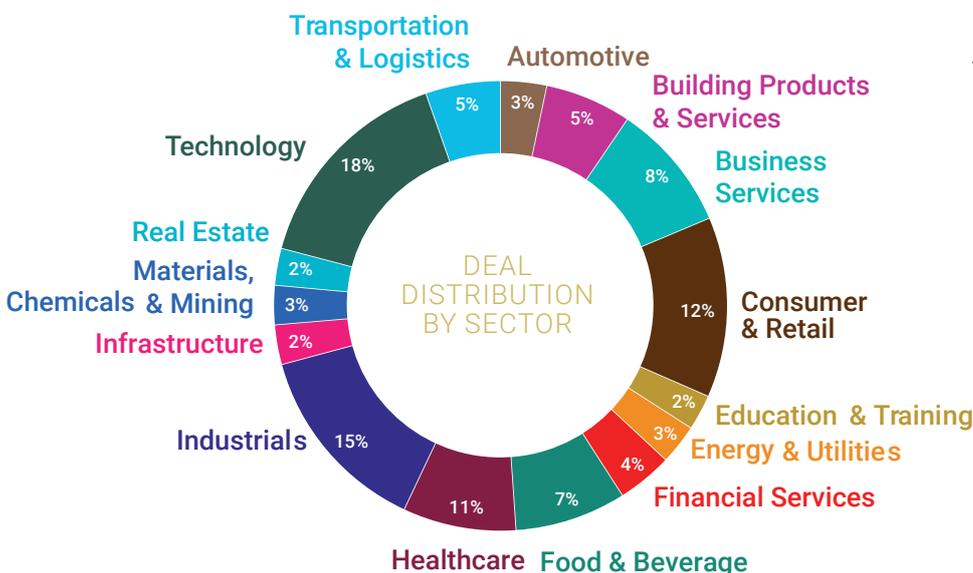
TRANSACTION VALUE

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+

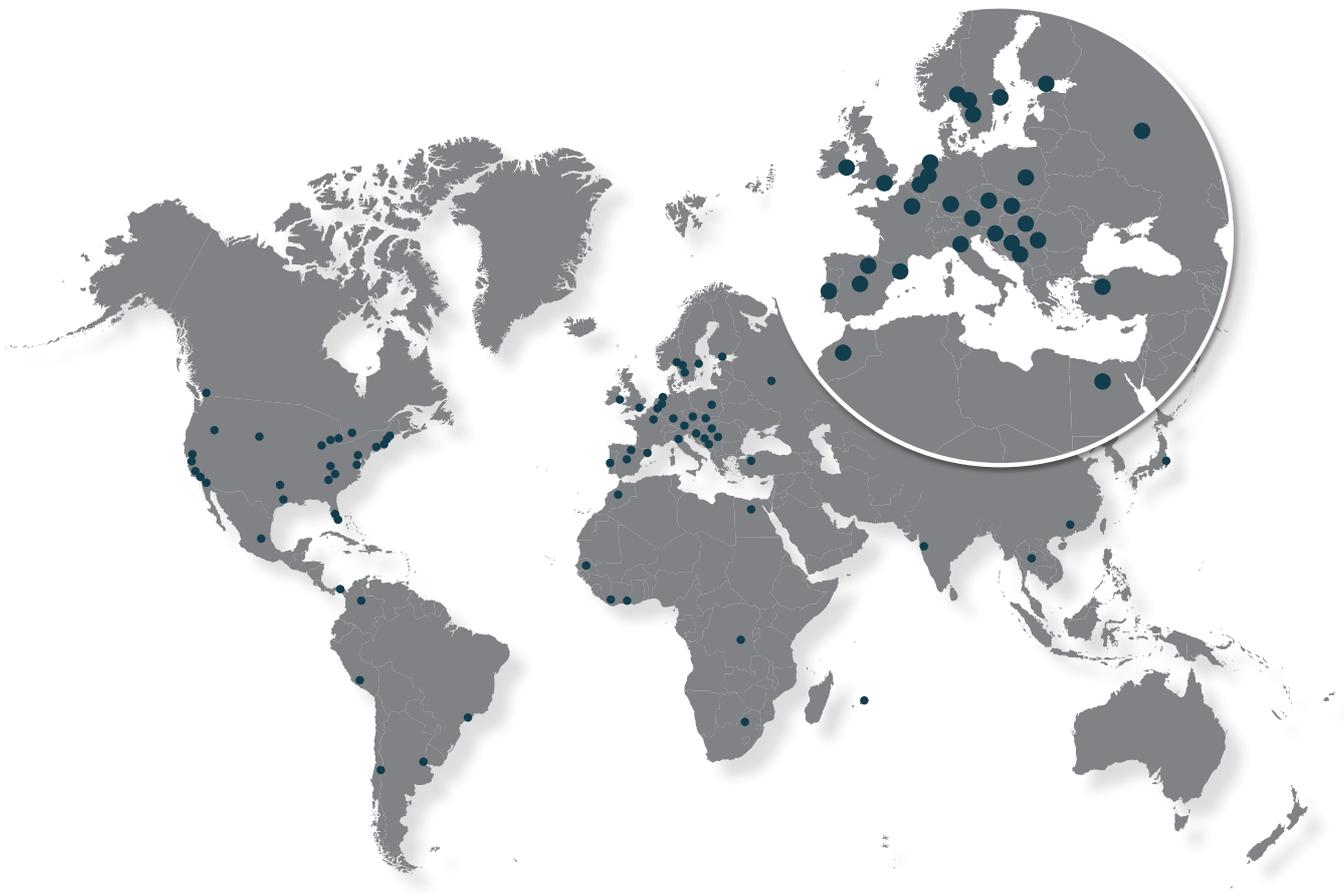
PROFESSIONALS  
WORLDWIDE

43

COUNTRIES

60+

OFFICES



### North America

#### U.S.A.

- Boston
- 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

### Africa

- Congo
- Egypt
- Ghana

- Ivory Coast
- Mauritius
- Morocco
- Nigeria
- Senegal
- South Africa

### Asia

- China
- India
- Japan
- Thailand

### Europe

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

- Portugal
- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Turkey
- United Kingdom