

European Equity Capital Markets Growing Through Cross-Border M&A

LISTED & LARGE CORPORATES NEWSLETTER, THE NETHERLANDS | MARCH 2023

CROSS-BORDER M&A INSIGHTS (pg.2)

Global M&A activity slowed down in 2022, but transaction numbers are still in line with pre-pandemic years.

ECM UPDATE (pg.8)

Global uncertainty caused a significant downturn of European stock markets in 2022, resulting in double digit losses.

M&A UPDATE (pg.10)

Despite a steep drop in the second half of the year, overall M&A activity in the Netherlands in 2022 remained relatively strong in a challenging dealmaking environment.

DEBT UPDATE (pg.12)

Lenders seem to act cautious while awaiting how deep the downturn will be.

OAKLINS UPDATE (pg.15)

Our newly published market intelligence reports give you insights into sectors of interest.

“After experiencing a significant downturn in 2022, European stock markets started the year positive and market fundamentals are slowly moving in the right direction. While equity capital markets have been virtually closed for quite some time, we currently expect the IPO market to cautiously re-open in September.

The momentum for (cross-border) M&A should remain strong in 2023 as companies continue to look for growth and/or strategic transformation. As the cost of debt financing has increased, listed companies will increasingly consider using their shares as an M&A currency.

Oaklins’ (structured) cross-border buy-side approach, through effectively leveraging our global presence and local roots, will maximize the success rate when considering international M&A.”

JAN-WILLEM DE GROOT

DIRECTOR EQUITY & ECM ADVISORY, OAKLINS



Cross-Border M&A

CROSS-BORDER M&A ACTIVITY IN 2022

Global cross-border M&A over the years

Global cross-border M&A activity has slightly decreased in 2022 compared to 2021, but is still above the 2020 level and similar to 2019 in terms of number of transactions. However, with regard to total deal value, a considerable drop is observed compared to 2021, mainly caused by a slowdown in the second half of 2022.

When comparing 2022 to 2020 and 2021, the former was characterized by Covid-19 and related measures, while the latter showed exceptional strong recovery, following the aftermath of extensive fiscal and monetary supporting measures.

Compared to 2019, only a small difference in number of transactions and total deal value is observed. Ultimately, cross-border M&A accounted for more than 30% of total global M&A transactions in 2022.

Cross-border M&A per industry

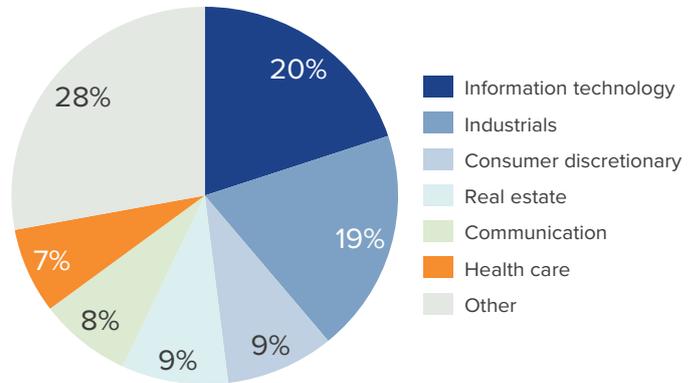
Nearly 50% of all cross-border M&A transactions occurred in the IT, industrials or consumer discretionary industry. Unsurprisingly, the majority of domestic M&A activity also arises from these industries.

Oaklins' cross-border M&A transactions

Oaklins has significant experience in cross-border buy-side and sell-side projects, whereby leveraging our international organization continues to reap success. The cross-border deals closed by Oaklins are in line with the common trend observed in global cross-border M&A: a record-breaking year in 2021 and a minor drop in 2022.

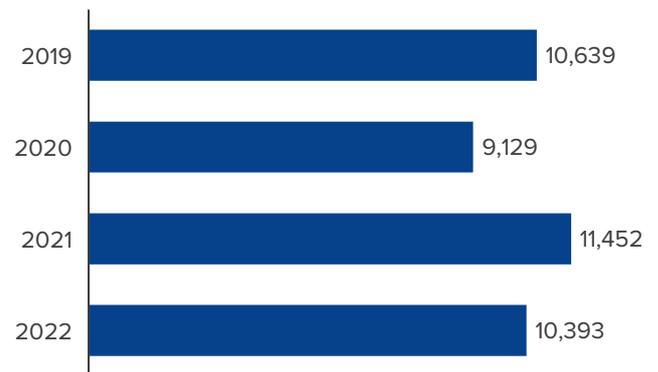
In line with industry developments, Oaklins completed most cross-border transactions in the IT industry.

Industry split of global cross-border M&A in 2022 (% based on number of transactions)



Source: S&P Global Market Intelligence; Oaklins research

Global cross-border M&A transactions (# of transactions)



Source: S&P Global Market Intelligence; Oaklins research

Oaklins' cross-border M&A transactions (# of transactions)



Source: S&P Global Market Intelligence; Oaklins research

ZOOMING IN: OAKLINS' EXPERTISE IN CROSS-BORDER BUY-SIDE M&A

Specialist insights in cross-border (buy-side) M&A

Interview with Nikolaos Karabelas, partner and head of buy-side practice at Oaklins Sweden

What does a typical (structured) cross-border buy-side approach entail?

The overall purpose of a (structured) cross-border buy-side approach is to assure that the right strategic acquisitions are made, to avoid (competitive) auction processes with high prices, to support the client in its decision making and ensure that management can focus on the day-to-day business.

To achieve that purpose, we start a typical cross-border buy-side process with formulating and refining detailed acquisition criteria with management, thereby taking valuable insights regarding market dynamics and competitive landscape in the target country into account. Then we identify targets by means of an extensive scan of the market together with our international colleagues. Subsequently, we contact selected target companies, leveraging the local team's existing network, market and cultural knowledge to maximize the success rate and, subsequently, schedule meetings with management. In the final stage, the strategic fit is verified and the conditions to execute the deal are negotiated.

Acquiring the right company is a great way to grow fast and prepare yourself for tomorrow's success. By structuring the process in the right way and leveraging our global presence and local roots, together with a deep understanding of evolving trends, we provide you with ample opportunities to

successfully enter new markets and rise above your competition. Successfully closing over 1,900 transactions in the last five years has provided Oaklins with in-depth expertise in a broad number of sectors. Our unique approach to cross-border transactions continues to reap success with over 29% of the deals being cross-border transactions, in line with the global trend.

With over 850 professionals and dedicated industry teams in 41 countries worldwide, we are able to simultaneously run processes in multiple jurisdictions whilst still having one dedicated key contact person for our client. This approach increases the probability of successfully closing transactions while gradually decreasing the burden on the client's organization as the collaboration becomes increasingly efficient.

What are key considerations and common pitfalls in a cross-border (buy-side) M&A transaction?

Cross-border M&A transactions bring a unique set of challenges and complexities compared to domestic transactions. Some of the key considerations and common pitfalls to keep in mind include:

Legal and regulatory considerations: Different countries have different laws, regulations, and cultural norms that may impact the transaction. This can include differences in corporate governance, intellectual property rights, data privacy, labor laws, and more.

"Acquiring the right company is a great way to grow fast and prepare yourself for tomorrow's success. By structuring the process in the right way and leveraging our global presence and local roots, together with a deep understanding of evolving trends, we provide you with ample opportunities to successfully enter new markets and rise above your competition."

NIKOLAOS KARABELAS

PARTNER AND HEAD OF BUY-SIDE PRACTICE AT OAKLINS SWEDEN



Tax implications: cross-border M&A transactions can have significant tax implications, such as double taxation or exposure to foreign taxes that may not be present in domestic transactions. It is important to consider the tax consequences of the transaction on both the acquiring and target companies.

Currency risks: currency fluctuations can have a significant impact on the financial performance of the combined company, depending on the relative size of the acquisition. It is important to consider currency risks when setting the terms of the transaction and to develop strategies to mitigate these risks.

Cultural differences: different countries and companies may have different approaches to doing business, which can lead to misunderstandings or difficulties in communication and integration. It is important to consider cultural differences and take steps to address these differences early on in the transaction process. Having local experts with international business experience on board is undoubtedly an invaluable asset.

Integration challenges: integrating two companies from different countries can be complex and time-consuming, especially if there are significant differences in operations, technology, or processes. It is important to consider these challenges and have a plan in place for addressing them.

Due diligence: due diligence is a critical component of any M&A transaction, and it is even more important in cross-border transactions. A thorough due diligence process can help identify potential challenges and risks, and enable the acquiring company to make informed decisions about the transaction. Standards of

information sharing is another area where practices may differ between countries and, therefore, ought to be managed proactively in order to maintain a positive momentum in a transaction.

Overall, it is important to be mindful of these considerations and to work with experienced advisors to navigate the complexities of cross-border M&A transactions.

What trends do you expect for cross-border M&A in 2023 and beyond?

Due to geopolitical tensions (primarily the war in Ukraine), an energy crisis in Europe, supply chain issues in various sectors, high inflation and steep interest rate hikes by monetary policymakers globally, M&A as a whole has been impacted negatively in 2022 and we will likely see the effects of these developments in 2023 as well.

Nonetheless, we foresee continued strong M&A activity in a variety of sectors, including TMT and industrials. Although a high(er) interest rate environment generally has a negative effect on valuations and M&A activity, it also creates opportunities. Considering buy-side M&A can be opportune as a result of lower valuation levels and less competition for potential targets. Temporary yet significant deviations from historic exchange rates may be a further driver for opportunistic cross-border buy-side M&A.

Last but not least, as the cost of debt financing has increased significantly over the past year, publicly listed companies are increasingly looking at using their shares as an M&A currency.



ZOOMING IN: OAKLINS' EXPERTISE IN CROSS-BORDER BUY-SIDE M&A

Case studies

Sandvik

Oaklins was mandated by Sandvik Machining Solutions (comprising four standalone subsidiaries) to identify suitable acquisition targets in the round tools space in the US and Mexico.

Between December 2018 and June 2020, four acquisitions were completed, one per subsidiary, following successful cooperation between the Sandvik Group teams, Sandvik subsidiary teams and Oaklins' teams in Sweden, the US and Mexico.

Owing to the successful outcome of this project, Sandvik extended its confidence in Oaklins by mandating us for additional deals, with the latest one, the acquisition of Portugal-based Frezite, closed in September.



Vitec

Vitec Software Group AB (Vitec) has strengthened its position in vertical market software by acquiring Netherlands-based ABS Laundry Business Solutions (ABS), the global market leader in software for the laundry and textile rental industry. By joining forces, Vitec and ABS will be able to further expand on the company's strategy for the benefit of its customers.

Vitec, listed on Nasdaq Stockholm, is the market leader in the software vertical market in the Nordic region, developing and delivering standard niche software. The company grows through acquisitions of well-managed and well-established software companies. Vitec's overall processes, together with its employees' in-depth knowledge of the customers' local market, enables continuous improvement and innovation.

Oaklins initiated this transaction and acted as the exclusive buy-side advisor to Vitec. This transaction emphasizes our strong track record and expertise in the fast-moving software and SaaS sector.



ECM Update

On trends in Dutch and European equity capital markets, IPOs and follow-on activity



ECM Update

EUROPEAN STOCK MARKETS DRIVEN BY GLOBAL UNCERTAINTY

Global uncertainty caused a significant downturn of European stock markets in 2022, resulting in double digit losses and limited equity capital markets activity. For 2023, equity capital markets are expected to cautiously re-open as market fundamentals are slowly moving in the right direction.

While European stock markets performed at all-time high levels in 2021, the year 2022 was highly volatile. The S&P Europe 350 and the AEX closed down 11.5% and 13.6%, respectively. 2023 has started optimistically with positive returns for both indices.

The downturn was driven by the negative overall market sentiment primarily caused by the war in Ukraine, supply chain issues, the energy crises, high inflation and rising interest rates. Overall, these factors led to increasing concerns of a potential recession in Europe. For 2023, we expect interest rates, inflation and potential recessions to continue to drive market sentiment.

Within the S&P Europe 350, the Energy industry was the only sector with an overall positive return in 2022, benefitting from high energy prices. Information Technology, one of the leaders in 2021, experienced a significant decline in 2022 given its vulnerability to rising inflation and interest rates.

Overall, value stocks proved to be more stable in 2022 in comparison to growth stocks. In general, growth stocks are more vulnerable to inflation and rising interest rates and investors tend to shift from growth to value stocks in periods of relative uncertainty.

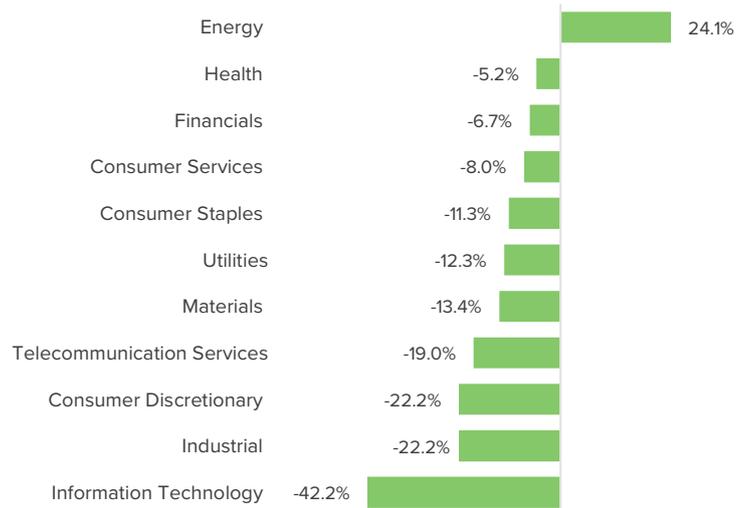
The VSTOXX, Europe's leading volatility index linked to the Euro STOXX 50 index, fluctuated throughout 2022 at fairly high levels, indicating that the overall uncertainty in the market.

Market performance of equity indices 2019-2023YTD



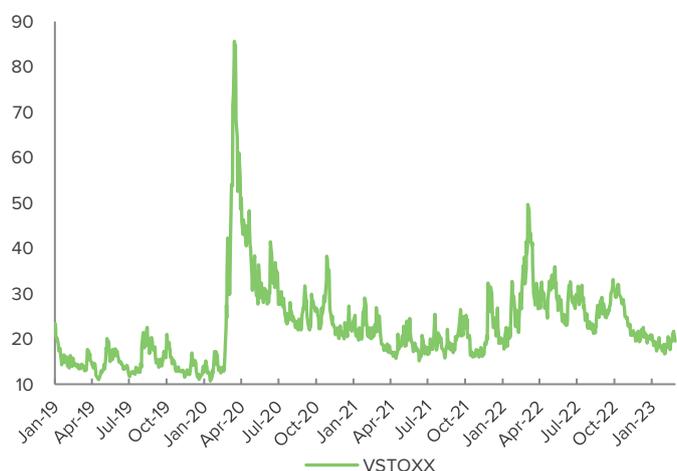
Source: S&P Global Market Intelligence; Oaklins research, as of 28 February 2023

Euro STOXX 600 performance by industry 2022



Source: S&P Global Market Intelligence; Oaklins research, as of 31 December 2022

Euro STOXX 50 volatility index 2019-2023YTD



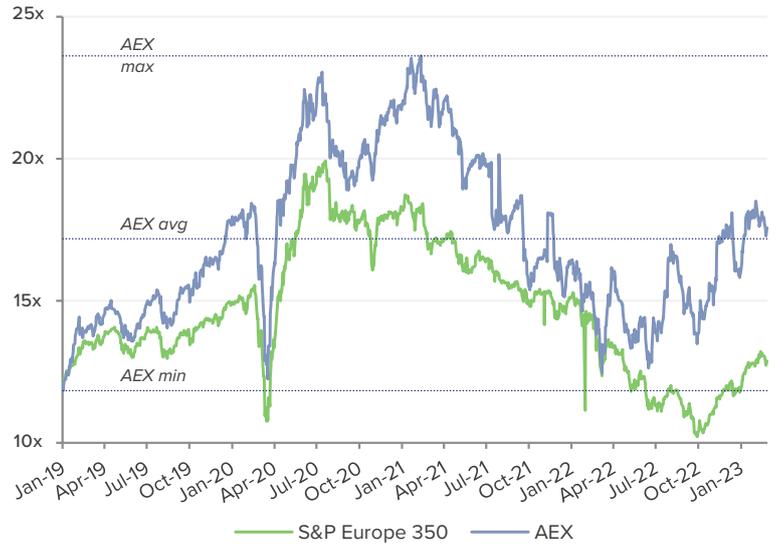
Source: S&P Global Market Intelligence; Oaklins research, as of 28 February 2023

AN UPDATE OF THE EUROPEAN EQUITY CAPITAL MARKETS SENTIMENT

The forward-looking price-to-earnings (P/E) multiples of the S&P Europe 350 as well as the AEX experienced a decline in 2022. The decline is mainly driven by the overall decrease in share prices. Yet, expected profitability is slightly lower as companies in various industries struggle to pass on increased costs.

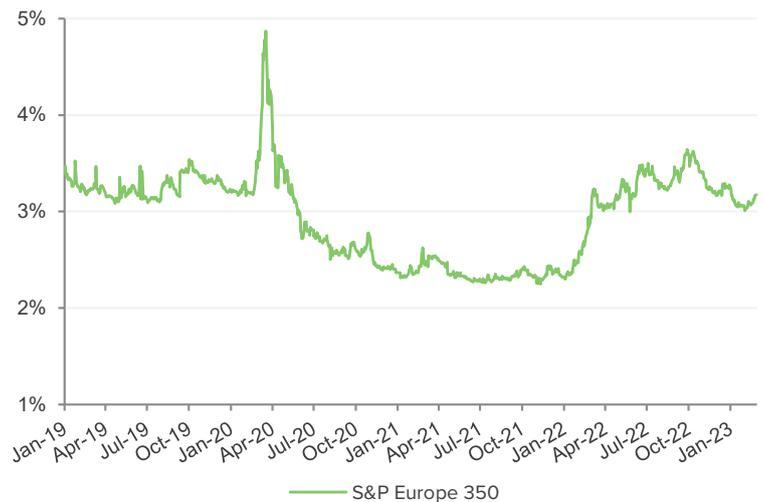
The aggregate dividend yield of the S&P Europe 350 increased to pre-COVID levels in 2022. The increase, starting mid-January, is driven by the combination of decreasing share prices and marginally higher aggregate dividends.

P/E multiples (NTM) of equity indices 2019–2023 YTD



Source: S&P Global Market Intelligence; Oaklins research, as of 28 February 2023

Dividend Yield (LTM) of S&P Europe 350 2019–2023YTD



Source: S&P Global Market Intelligence; Oaklins research, as of 28 February 2023



THE EUROPEAN IPO MARKET

The European IPO market has experienced a disappointing year in 2022. In total, 102 IPOs raised EUR 15.6bn, compared to 422 IPOs raising EUR 75.0bn in 2021.

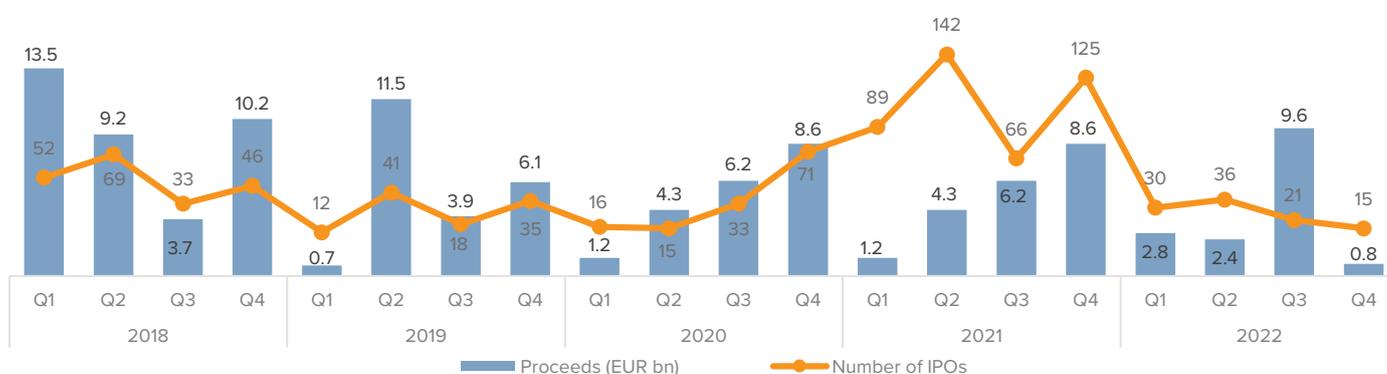
The global economy faced significant challenges in 2022 due to geopolitical instability accompanied with high uncertainty. Factors such as rising inflation, increased interest rates, the war in Ukraine, supply chain issues and an energy crisis in Europe led to concerns of a potential recession.

As a result, the European IPO market was virtually closed. Only one IPO raised over EUR 1bn in 2022. Porsche's IPO on the Deutsche Börse raised EUR 9.1bn, accounting for approximately

95% of the European IPO proceeds in Q3 2022 and approximately 58% of the total proceeds in 2022.

The SPAC boom of 2021 has cooled down in 2022. Only seven SPAC IPOs above EUR 50m were executed, all in the first half of the year, raising EUR 1.3bn in total. The biggest de-SPAC in 2022 was the EUR 4.1bn business combination of FL Entertainment with Pegasus Entrepreneurs SPAC on Euronext Amsterdam.

Total quarterly capital raised and number of IPOs in Europe



Source: Oaklins research, includes deals >\$5m raised

Top 10 European IPOs in 2022

Pricing date	Issuer Name	Issuer Country	Sector	Exchange	Pricing range (EUR)	Offer price (EUR)	Proceeds (EURm)	Market Cap at Listing (EURm)	1-day return	Current return ¹
28 Sep 2022	Porsche		Automobile	Deutsche Börse	76.50 - 82.50	82.50	9,082	75,158	0.0%	14.9%
15 Feb 2022	Var Energi		Energy	Euronext Oslo	28.00-31.50 (NOK)	28.00 (NOK)	776	6,913	(1.0%)	20.0%
11 Feb 2022	Technoprobe		Technology	Euronext Milan	5.40 - 6.30	5.70	713	3,426	14.0%	17.5%
28 Jun 2022	Industrie De Nora		Chemistry	Euronext Milan	13.50 - 16.50	13.50	545	2,723	(4.4%)	6.2%
9 Nov 2022	Ithaca Energy		Energy	London Stock Exchange	2.50	2.50	300	2,513	(8.0%)	(26.8%)
28 Apr 2022	RA Special Acquisition Corp		Financials	Euronext Amsterdam	10.00 (USD)	10.00 (USD)	219	219	0.0%	0.0%
14 Jan 2022	468 SPAC		Financials	Deutsche Börse	10.00	10.00	210	210	(0.1%)	(4.6%)
10 Mar 2022	New Energy One Acquisition Corp		Financials	London Stock Exchange	10.00 (GBP)	10.00 (GBP)	209	209	(0.7%)	1.0%
21 Jul 2022	OPDEnergy Holding		Energy	BME	4.75 - 5.40	10.00	205	703	0.0%	(19.2%)
4 Feb 2022	GP Bullhound Acquisition I		Financials	Euronext Amsterdam	10.00	10.00	196	196	0.2%	(0.5%)

Source: Oaklins research. Issuer country indicates the company's country of incorporation

IPOs and listings on Euronext Amsterdam in 2022

Pricing date	Issuer Name	Issuer Country	Sector	Exchange	Pricing range (EUR)	Offer price (EUR)	Proceeds (EURm)	Market Cap at Listing (EURm)	1-day return	Current return ¹
12 Aug 2022	Exor		Financials	Euronext Amsterdam	-	-	-	15,449	0.0%	3.3%
1 Jul 2022	FL Entertainment		Consumer Discretionary	Euronext Amsterdam	-	10.00	645	4,498	-	(5.2%)
28 Apr 2022	RA Special Acquisition Corp		Financials	Euronext Amsterdam	10.00 (USD)	10.00 (USD)	219	219	0.0%	0.0%
25 Apr 2022	Benevolent AI		Health Care	Euronext Amsterdam	-	10.00	225	1,118	-	(65.0%)
1 Mar 2022	Cabka		Industrials	Euronext Amsterdam	-	10.00	110	244	-	(38.8%)
4 Feb 2022	GP Bullhound Acquisition I		Financials	Euronext Amsterdam	10.00	10.00	196	196	0.2%	(0.5%)
2 Feb 2022	Azerion		Consumer Discretionary	Euronext Amsterdam	-	10.00	93	1,063	-	(45.8%)

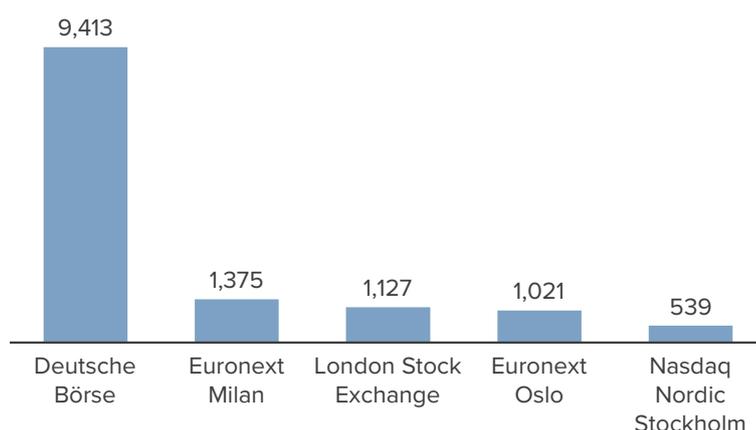
Source: Oaklins research, issuer country indicates the company's country of incorporation
 Note 1: As of 31 December 2022

Only two IPOs were executed in 2022 on Euronext Amsterdam, both being SPACs. The Agnelli family's Exor holding company was the largest new listing of the year on Euronext Amsterdam. Exor transitioned its listing from Euronext Milan to Euronext Amsterdam. The company was included in the AEX index in December 2022. Other new listings on Euronext Amsterdam comprise the de-SPACs of Azerion, Cabka, Benevolent AI and FL Entertainment.

Deutsche Börse was the European stock exchange with, by far, the most IPO proceeds in 2022. This is almost entirely a result of the EUR 9.1bn Porsche IPO. Next to Deutsche Börse, Euronext Milan, the London Stock Exchange and Euronext Oslo were the only European exchanges with IPO proceeds exceeding EUR 1bn in 2022.

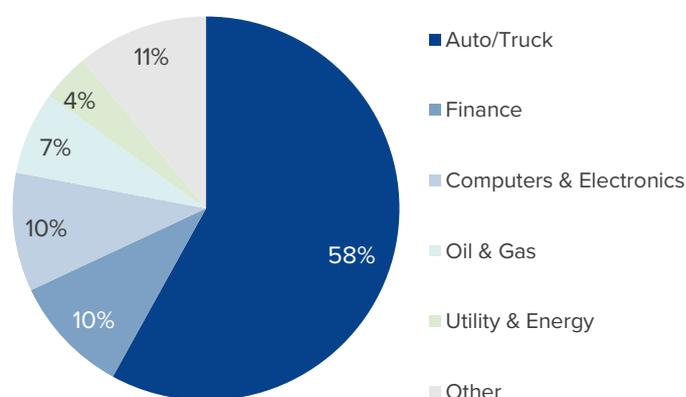
Following the EUR 9.1bn Porsche IPO, the largest transaction of the year, the auto/truck sector is the leading sector in terms of money raised via IPOs in Europe throughout the year (58% of total proceeds). Finance and Computers & Electronics were Europe's second and third most active sectors in terms of IPO activity in 2022, both accounting for 10% of total European IPO proceeds.

Top 5 stock exchanges by IPO proceeds 2022 (in EURm)



Source: Oaklins research

European IPO activity per industry 2022 (% of proceeds)



Source: Oaklins research

SNAPSHOT OF THE EUROPEAN FOLLOW-ON OFFERING MARKET

Similar to the IPO market, the European follow-on market also experienced a decline in number of transactions as well as in terms of total proceeds in 2022, reflecting the difficult market circumstances to raise fresh equity. Nevertheless, multiple companies were still able to successfully tap the market.

In 2022, the top 5 largest European follow-on equity offerings were all rights issues. Europe's largest follow-on offering in 2022 was the rights issue of EDF Group, the French state-owned integrated electricity and energy group, raising EUR 3.2bn to finance the development of its operations and to strengthen its credit rating and access to financing markets. Another sizeable transaction was the rights issue of Monte dei Paschi. The Italian bank raised EUR 2.5bn to execute its renewed business plan and to strengthen its balance sheet. Notably, French-Dutch airline Air France-KLM raised EUR 2.6bn to accelerate repayment of the loans provided by the French State and to lower its debt position. The most recent follow-on offering issue of primary shares on Euronext Amsterdam was the EUR 15m private placement of Envipco.

The developer and manufacturer of reverse vending machines for used beverage containers, also listed on Euronext Growth Oslo, will use the net proceeds for further investments in its machines and technology. Following the rights issue of Air France-KLM, the EUR 594m accelerated bookbuild offering of ASR was the second largest follow-on offering on Euronext Amsterdam in 2022. The net proceeds will be partially used to finance the cash consideration for the acquisition of Aegon.

Moreover, real estate developer and investor Warehouses de Pauw raised EUR 300m to increase its financial power. Fastned completed a EUR 75m strategic investment in the form of a private placement to further expand its European network. Geo-data specialist Fugro raised EUR 116m through an accelerated bookbuild offering for refinancing purposes. Earlier in the year, Oaklins was involved in the successful EUR 45m primary equity issue of Avantium. We expect equity capital markets to cautiously re-open in 2023. Many companies will consider tapping the market to finance their growth strategies whilst other will be looking for balance sheet improvement.

Top 5 largest European follow-on offerings in 2022¹

Pricing date	Issuer Name	Issuer country	Sector	Exchange	Type	Proceeds (EUR)
5 Apr 2022	EDF Group		Utilities	Euronext Paris	Rights issue	3,164m
4 Nov 2022	Monte dei Paschi		Financials	Euronext Milan	Rights issue	2,499m
8 Dec 2022	Credit Suisse Group		Financials	SIX Swiss	Rights issue	2,267m
14 Jun 2022	Air France-KLM		Industrials	Euronext Paris / Euronext Amsterdam	Rights issue	2,256m
15 Jul 2022	Saipem		Energy	Euronext Milan	Rights issue	2,000m

Source: Oaklins research, issuer country indicates the company's country of incorporation

Note 1: Excluding block trades

Top 5 most recent follow-on offerings on Euronext Amsterdam²

Pricing date	Issuer Name	Issuer Country	Sector	Exchange	Type	Proceeds (EUR)
12 Dec 2022	Envipco		Industrials	Euronext Amsterdam / Euronext Growth Oslo	Private placement	15m
27 Oct 2022	ASR		Financials	Euronext Amsterdam	Accelerated bookbuild offering	594m
19 Oct 2022	Warehouses de Pauw		Real Estate	Euronext Brussels / Euronext Amsterdam	Accelerated bookbuild offering	300m
17 Oct 2022	Fastned		Consumer Discretionary	Euronext Amsterdam	Private Placement	75m
27 Jul 2022	Fugro		Industrials	Euronext Amsterdam	Accelerated bookbuild offering	116m

Source: Oaklins research, issuer country indicates the company's country of incorporation

Note 2: Excluding block trades

M&A Update

On the current M&A activity in the Netherlands and in Europe



M&A update

M&A ACTIVITY IN THE NETHERLANDS

Despite a steep drop in the second half of the year, overall M&A activity in the Netherlands in 2022 remained relatively strong in a challenging dealmaking environment.

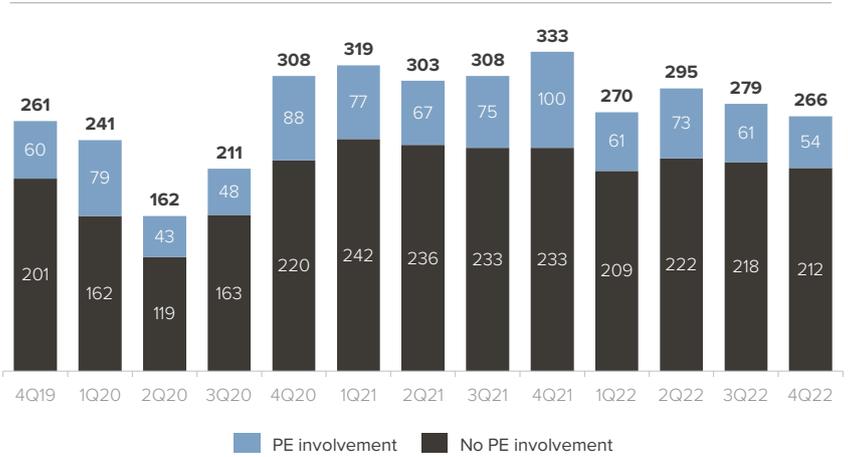
After a record-breaking 2021, M&A activity declined with 12% as a result of challenging dealmaking conditions. Despite being lower, with 1,110 deals, 2022 was still well-above historical average, indicating a strong M&A year. In the Netherlands however, particularly in the last two consecutive quarters, 15% lower M&A activity was reported versus the second half of 2021, highlighting the deteriorating dealmaking conditions.

Looking more specifically at Q4 2022, the data shows that the number of deals completed by private equity firms is the lowest it has been in the past three years, with the exception of two quarters impacted by the pandemic in 2020. In fact, the number of deals completed by private equity firms in the last quarter was almost cut in half compared to Q4 2021. This aligns with our observations in the field, where we have seen private equity firms dropping out of transactions more quickly and exhibiting greater hesitation to close deals compared to strategic buyers. This is driven by a long-term vision of strategies that looks beyond a (possible) short-term dip, the lack of bank financing for new platform deals as well as PEs being occupied with challenges within their portfolio.

When examining M&A activity per deal size, Q4 2022 shows relatively fewer <€5m deals, significantly more lower and mid-sized deals (€5m-€50m), whereas deals north of €100m showed a very steep drop of 40% compared to the previous quarter. This is in line with what we observe in practice with relatively strong dealflow in the lower end of the market, which is typically less impacted by the current turmoil.

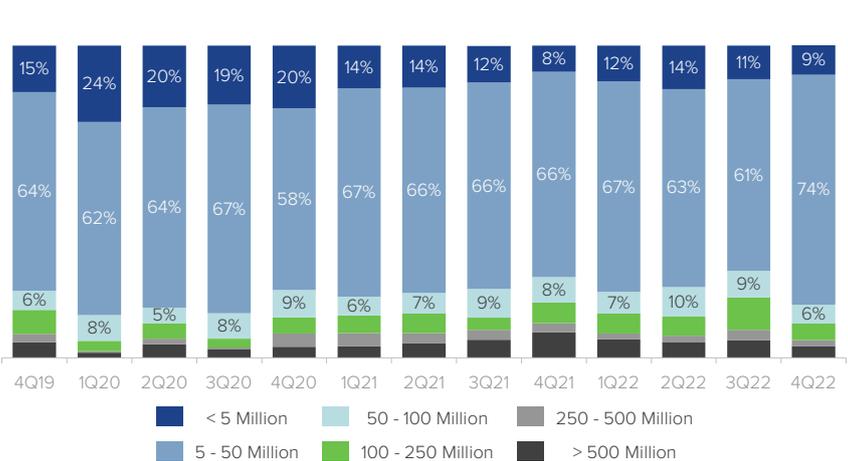
The Q4 2022 LTM distribution of deals by sector changed slightly compared to the previous quarter. The TMT sector saw the largest increase in share, highlighting the sector's resilient position in the M&A market. This is something Oaklins Netherlands' TMT team can relate to, having closed 8 deals in 2022.

Number of deals in the Netherlands



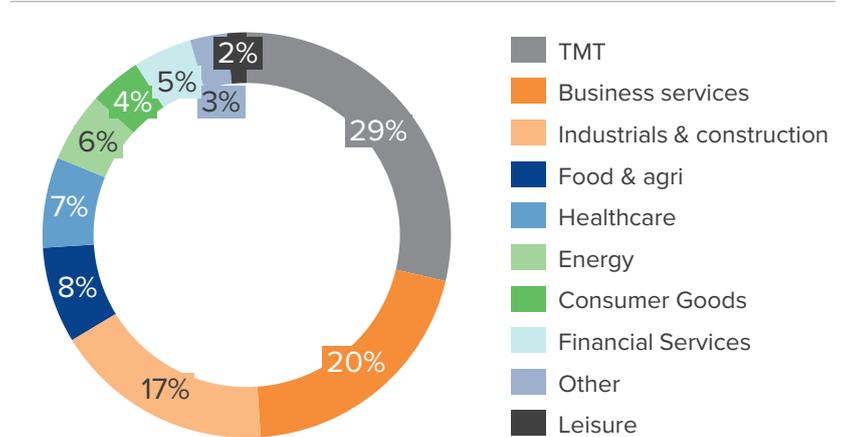
Source: S&P Global Market Intelligence, Mergermarket, Alex van Groningen, Oaklins research

Deals per size category in the Netherlands



Source: S&P Global Market Intelligence, Mergermarket, Alex van Groningen, Oaklins research

Deal breakdown per industry in the Netherlands (LTM)



Source: S&P Global Market Intelligence, Mergermarket, Alex van Groningen, Oaklins research

VALUATION PARAMETERS OF EUROPEAN DEALS

Valuation multiples of European transactions continue to decrease as buyers adjust to current market conditions and more expensive debt.

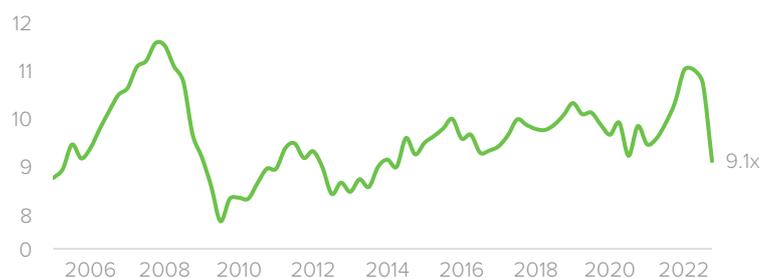
The median LTM EBITDA transaction multiples for Q4 2022 showed a significant decrease compared to the previous quarter, dropping with 1.6x from 10.8x to 9.1x, the largest QoQ decrease since the beginning of 2020. After double-digit transaction multiples at the start of 2022, markets have converged to pre-Covid multiples level, as current market conditions and uncertainty are priced in by acquirors.

The transaction multiples seem to showcase the expected decline after buyers are being caught up by reality and its corresponding deteriorating macroeconomic circumstances. Moreover, banks play an important role in the downward pressure on the level of the transaction multiples shown. As interest rates rise, financing deals has become more expensive for potential buyers. Next to the increased interest rates, banks are also more hesitant to provide financing due to difficulties in reselling underwritten acquisition financing.

Although the downfall in transaction multiples is evident for both buyer groups, private equity (backed) buyers' multiples show a relatively stronger decrease of 1.7x from 14.9x to 13.2x. On the other hand, strategic buyers multiples decreased with 1.3x from 10.1x to 8.9x in Q4 2022. The valuation gap between PE and strategic buyers (4.3x) continued to decrease slightly but remained robust and persistent throughout 2022. We expect that the valuation gap will converge in 2023 at the expense of PE, as the PE median from the data seems higher compared to what we see in practice.

Looking at the median LTM EV/EBITDA multiples in further detail reveals lower transaction values across all size categories, particularly for the €50m-€500m segment decreasing with 1.8x from 12.1x to 10.3x. The same downward trend is observed when examining the differences by sector, where all sectors show lower transaction multiples for Q4 2022 compared to Q3 2022. This suggests that companies of all sizes and across all sectors are feeling the impact of the current economic downturn and lower consumer confidence.

European EV/EBITDA multiples (LTM medians)



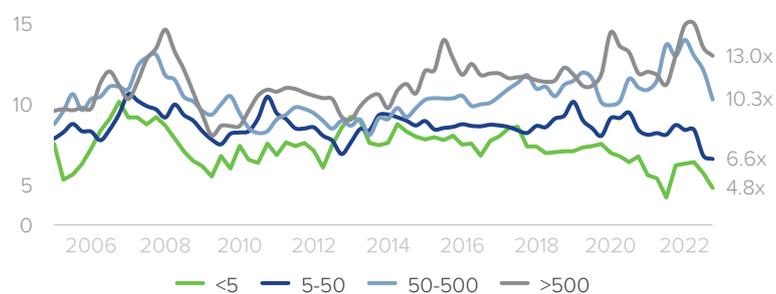
Source: S&P Global - Capital IQ; Oaklins research

European EV/EBITDA multiples per buyer category (LTM medians)



Source: S&P Global - Capital IQ, Oaklins research

European EV/EBITDA multiples per size category (LTM medians)



Source: S&P Global - Capital IQ, Oaklins research

European EV/EBITDA multiples per sector (LTM medians)

Sector	1Q22	2Q22	3Q22	4Q22
Healthcare	13.9	11.1	12.9	11.7
Food	10.8	9.6	9.7	n.m. ¹
IT	11.3	11.3	11.1	9.5
Communication Services	10.0	11.0	11.9	11.3
Industrials	7.1	8.3	7.4	7.3
Consumer goods	10.0	9.5	9.3	8.1
Materials	6.7	n.m.	7.8	6.1
Energy	n.m.	n.m.	6.8	6.5

Source: S&P Global - Capital IQ, Oaklins research

Note 1: 'not meaningful'

Debt update

On the European and Dutch leveraged buyout market and lender landscape



Debt update

EUROPEAN LEVERAGED FINANCE MARKET

2022: Record low loan volumes

The year 2022 ended up with the lowest recorded volumes of new issued leveraged loans in the last ten years, and lowest volume of high-yield bonds in the last fourteen years, being the result of the war in Ukraine, drastically increasing inflation and rising interest rates.

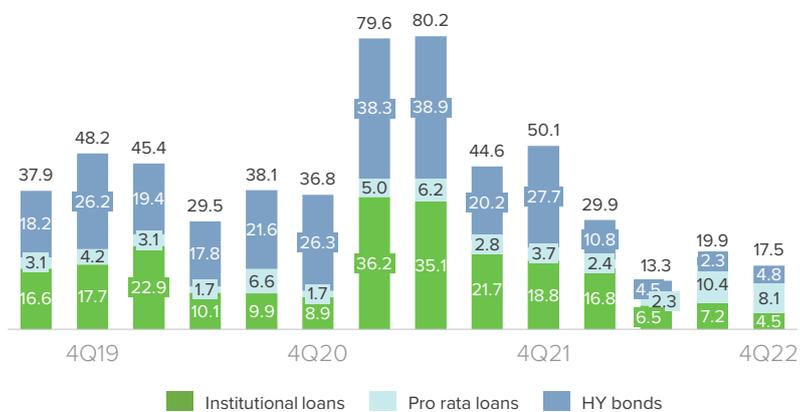
Market players seem to await how deep the downturn will be before entering into new sizeable underwritten loans. As highlighted later in this newsletter, lenders are hesitant to initiate such loans as they recently lost large amounts, as a result of having to sell off new underwritten debt at large discounts to spread their risk.

In line with the above, in our daily debt advisory practice we can see that new primary issuances are getting less traction from private debt funds, as some of them are increasingly targeting secondaries at high discounts and therefore high potential returns.

The decline in new primary issuances is also reflected by the new pipeline of forward loans, which are announced but unlaunched transactions. Private equity parties are for a significant part the drivers of such loans, but they seem to slow down their investment pace as they await target valuations to come down. Therefore, issuance volumes will likely remain low for a while with only high-quality assets coming to the market.

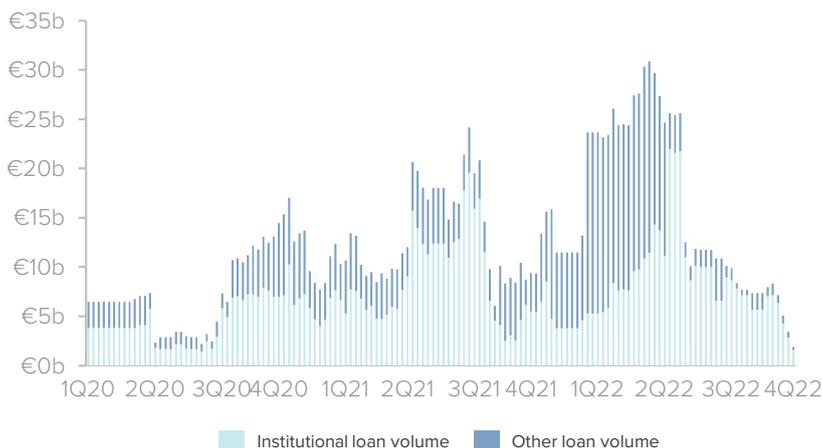
The uncertain situation has caused the average TLB spread in the public debt markets to increase significantly from ca. E+410 bps in Q1 to ca. E+470 bps in Q4 2022. The yield-to-maturity reached a level of above 8% in Q4 2022, reflecting the large discounts currently required in the market.

Newly issued leveraged loans in Europe (EURbn)



Source: S&P Global Market Intelligence; LCD, an offering of S&P Global Market Intelligence

Forward loan volumes in Europe (EURbn)



Source: S&P Global Market Intelligence; LCD, an offering of S&P Global Market Intelligence

Average TLB Primary Spread and YTM in Europe



Source: S&P Global Market Intelligence; LCD, an offering of S&P Global Market Intelligence

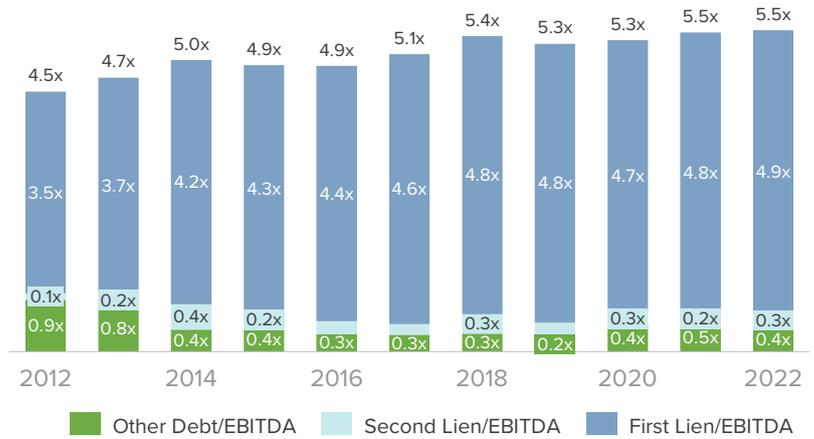
In terms of leverage levels in the European debt markets, the 2022 average deal leverage remained at 5.5x, causing the upward trend since 2020 to stagnate for now. Despite this not being the first time in the past decade that growth of average levels has stagnated, it is not expected that the upward trend will recover in 2023. As there are still too many macro-economic factors causing uncertainty in financial markets.

The purchase prices paid by private equity firms for leveraged buyouts have been decreasing since 2021. In 2022, the average EBITDA multiple was 10.7x, coming down from 12.3x in 2020, indicating that future expectations for new acquisitions are less optimistic than they were the years before. It is notable that debt levels did not decrease and hence the average required equity contribution decreased.

Despite the turbulence in the market since COVID-19 and the war in Ukraine, the number of defaults and restructurings in the European large cap segment still has been very low in the past two years.

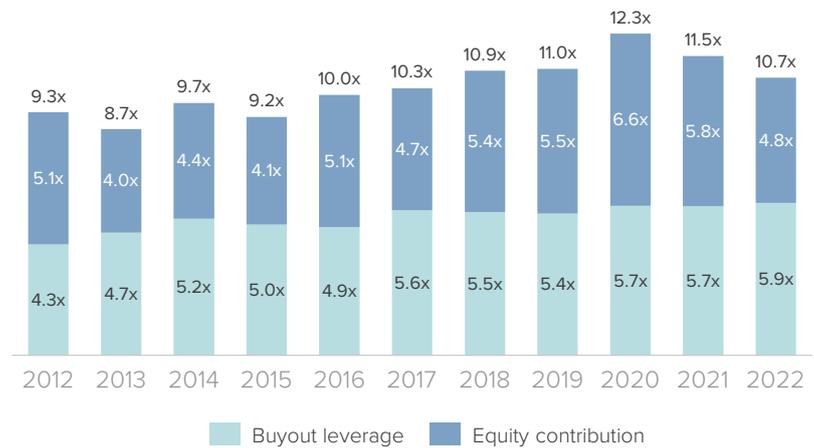
In the Netherlands, we have recently seen a pick-up in default rates in the mid-market segment, including the examples of Otravo (an online travel organization owned by Waterland) and InnoGenerics (a generic medicine producer). However, the numbers still remain historically low. As companies have started to repay their postponed corporate income taxes since October 2022, it is assumed that more defaults and restructurings will follow going forward.

Annual pro forma Debt/EBITDA levels in Europe



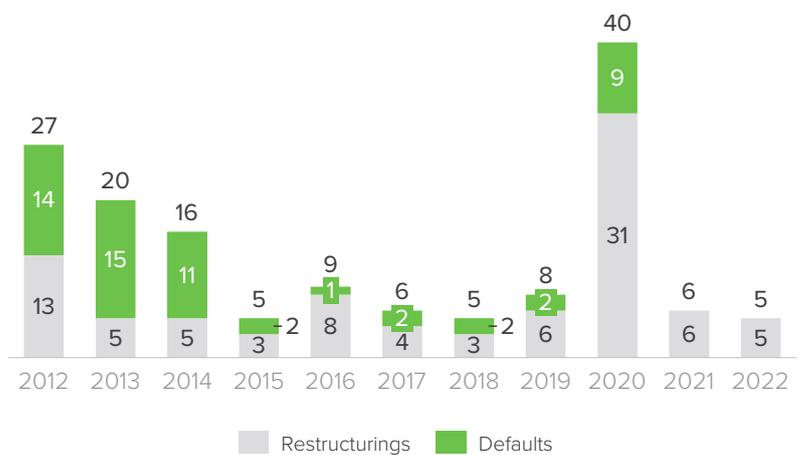
Source: S&P Global Market Intelligence; LCD, an offering of S&P Global Market Intelligence

Buyout purchase price multiples in Europe¹



Source: S&P Global Market Intelligence; LCD, an offering of S&P Global Market Intelligence
Note 1: Purchase price multiple based on Pro Forma Trailing EBITDA

Number of defaults vs restructurings in Europe



Source: S&P Global Market Intelligence; LCD, an offering of S&P Global Market Intelligence

BANKS AROUND THE GLOBE STRUGGLING WITH RESELLING UNDERWRITTEN LOANS

Effects of a changing volatile market

In major take-overs, it is common for banks to finance the acquisition, then sell the debt provided to other investors to get it off the books. Due to rising interest rates, the fear of a recession and high volatility, many have lost their appetite for these leveraged loans in the secondary debt market. This leaves banks with a difficult choice, either to resell the debt with firm losses or leave it on their books with the risk of further losses. A recent example is the heavy losses incurred by Morgan Stanley, Bank of America and Barclays in financing Elon Musk's acquisition of Twitter.

To acquire Twitter, Elon Musk paid the majority of the \$44 billion enterprise value out of his own pocket, and by leaning on equity financing from large investors. Additionally, to complete the financing, banks committed to provide \$12.5 billion in debt financing. The debt package, which was underwritten when interest rates were expected to remain stable, consisted of \$6.5 billion in leveraged loans, \$3 billion in secured bonds and \$3 billion in unsecured bonds. A few months later, the macroeconomic developments caused interest rates to increase sharply.

As a result, the pre-committed interest rates provided by bank syndicates as with Twitter, were no longer attractive to other investors. This caused the value of underwritten loans to fall dramatically and resulted in losses of billions for the banks engaged in the Twitter deal. Another example of strongly depreciated underwritten debt is the buyout of software producer Citrix, in which a bank syndicate of Goldman Sachs, Bank of America and Credit Suisse incurred a \$600 million loss. Appetite was so low that the senior banks ended up selling secured bonds for 83 cent on the dollar and loans for 91

cent on the dollar. Apart from these losses, various international banks' balance sheets still contain depreciating debt from debt packages that supported the leveraged buyouts of television group Nielsen, TV broadcaster Tegna and car parts producer Tenneco.

Problems of international banks and US corporates may seem irrelevant to the Dutch market, but here, too, we see similar problems emerging. The banks, including JPMorgan and ING, that issued €272 million of debt for the acquisition of Hunkemöller, ended up taking ca. €40 million in losses due to the deteriorating market conditions. Apart from the lending banks, Hunkemöller acquirers Parcom and Opportunity Partners were also heavily affected, as they must pay an interest rate of 9% on the financing package, where initially the margin was expected to be around 7%.

Now that it is clear what consequences the rising interest rates and current volatile market can have for underwritten deals, banks are less eager to provide acquisition financing. As a result, private equity buyers in the middle market start to turn to (more expensive) alternative lenders. Another repercussion of the changing financing environment is the acceleration of refinancing and restructuring within the portfolio of private equity. As interest rates are expected to increase even further, some of the private equity firms are already having conversations with their debt providers to amend & extend the existing debt package. Also, it is expected that a lack of attractive financing options will result in less acquisition activity and that the acquisitions that persist will require a larger part of equity compared to what private equity is used to in recent years.



Deep local roots, global commitment

Oaklins brings you opportunities from across the world and we meet you with our expertise wherever you are



- 70 offices in more than 45 countries
- Track record of over 5,500 successfully closed deals
- Dedicated industry teams
- Extensive sector expertise by 850 professionals in 15 sector groups
- Independent mid-market focus
- Entrepreneurial spirit and problem-solving mentality

Oaklins Netherlands offers deep industry knowledge leveraging the capabilities of 850 passionate colleagues worldwide. By collaborating across borders we use our global strength in sell- and buy-side mergers and acquisitions, debt, growth equity and equity capital markets advisory.

Oaklins' dedicated equity capital markets advisory team provides expert advice on raising equity capital, including (pre-)IPO advisory, project management, syndicate structuring, valuation, investor targeting and pricing and allocation. In addition, the team assists clients on blocktrades and public offers.

SELECTED RECENT OAKLINS DEALS IN THE NETHERLANDS

avantium

has raised EUR 45m via a public offering

EUR 45m
ECM

Other Industries

avantium

has raised EUR90m financing from a consortium of lenders

EUR 90m
DEBT ADVISORY

Other Industries

DUTCH STAR COMPANIES TWO
— Oaklins

has successfully executed a business combination with

Cabka

ECM

Logistics/Other Industries

PSG

has made a strategic growth investment in

RODEO

M&A BUY-SIDE
Private Equity/TMT

VITEC
vertical software

has acquired

ABS Laundry Business Solutions

M&A BUY-SIDE
TMT

“Having supported IJssel for around 20 years in which the company achieved significant growth and a strong market position, we are now looking forward to accelerating this growth together with Argos Wityu as our new partner. Throughout the entire process, the experience of the Oaklins team in the industrial services sector, together with its pragmatic approach, has helped us to find the best possible partner to realize the next step in IJssel’s growth.”

RENÉ WOLFKAMP
DIRECTOR, WADINKO

IJSSEL

has been acquired by

argos.wityu

M&A SELL-SIDE
Business Support Services/Private Equity

The Digital Transformation Consortium, a portfolio company of **HOLLAND CAPITAL**

has raised financing for the acquisition of **ONE PLM** Digital Transformation

provided by **QIB**

FUNDING, DEBT ADVISORY & ECM
Private Equity/TMT

gate+

has sold

CAG GROEP

to **SOCOTEC**

M&A SELL-SIDE
Business Support Services/Private Equity

KUBUS SPORTS
HOME OF PREMIUM BRANDS

has raised debt to acquire Naish

NAISH

provided by **Rabobank**

FUNDING, DEBT ADVISORY & ECM
Consumer & Retail

KUBUS SPORTS
HOME OF PREMIUM BRANDS

has acquired

NAISH

M&A BUY-SIDE
Consumer & Retail/Private Equity

esc

has been acquired by

CapitalA INVESTMENT PARTNERS

M&A SELL-SIDE
Private Equity/TMT

proQure

has been acquired by

AB&C Groep

M&A SELL-SIDE
Business Support Services/Private Equity

Advipro

has been acquired by

Normec

M&A SELL-SIDE
Business Support Services/Private Equity

VebeGo

has acquired

hectas++ FACILITY SERVICES

from **VORWERK**

M&A BUY-SIDE
Business Support Services

BTN BROOKDALE TREETLAND NURSERIES LIMITED

has sold a majority stake to

Ridge River Capital Investment Holdings

M&A SELL-SIDE
Agriculture/Private Equity

OBI4WAN

has been acquired by

spotlergroup

M&A SELL-SIDE
Private Equity/TMT

365 Zon

has been acquired by

Soltech

US\$38.9m
M&A SELL-SIDE
Energy

M80™

has acquired a majority stake in

BPSOLUTIONS MAKE DATA WORK

M&A BUY-SIDE
Private Equity/TMT

Herburg ROSES

&

N N N

have been acquired by

DUTCH FLOWER GROUP

M&A SELL-SIDE
Agriculture

Dieren Dokters

has been acquired by

vetPartners

M&A SELL-SIDE
Consumer & Retail/Healthcare

M80™

has acquired a majority stake in

luminis Connecting worlds

M&A BUY-SIDE
Private Equity/TMT

DISCOVER OUR OTHER PUBLICATIONS

Oaklins' dedicated sector experts have recently published market intelligence reports in various sectors, of which a selection can be found below. Please visit our [website](#) to download the full reports.

Private Equity A New Reality
PRIVATE EQUITY NEWSLETTER - THE NETHERLANDS | Q1 2023

MARKET UPDATE
Despite the intervention termed in Europe early 2022, M&A activity in the Netherlands remained strong until the summer holiday period. This changed dramatically in the second half of the year, with a significant drop in deal volume. This was primarily due to the uncertainty over the energy market, which led to a re-evaluation of the value of companies. This was further exacerbated by the fact that many companies are still in a state of uncertainty over their energy costs. A large driver for this was the changing gas market.

WHAT'S BEEN HAPPENING AND WHAT COMES NEXT?
Following a period of calm, the combination of the intervention and the uncertainty over the energy market has led to a re-evaluation of the value of companies. This has led to a significant drop in deal volume. However, we expect to see a recovery in M&A activity in the second half of 2023, as companies begin to re-evaluate their energy costs and the market begins to stabilize.

MARKET TRENDS
Working through
An overview of the latest economic developments in the European sector market, and future opportunities.

INTERVIEW
Inside word
We hear from the Chairman of HR Services, who shares his insights on the current market and the company's growth strategy with Next, a Dutch private equity group.

VALUATIONS AND M&A
Summing up
The impact of the M&A activity on the European HR sector, and the challenges faced by companies in the sector.

JANUARY 2023
Private Equity

M&A activity in the floriculture sector stabilizes after long period of continuous growth
M&A DEVELOPMENTS - HORTICULTURE | Q1 2023

WHAT'S BEEN HAPPENING AND WHAT COMES NEXT?
Following a period of calm, the combination of the intervention and the uncertainty over the energy market has led to a re-evaluation of the value of companies. This has led to a significant drop in deal volume. However, we expect to see a recovery in M&A activity in the second half of 2023, as companies begin to re-evaluate their energy costs and the market begins to stabilize.

MARKET TRENDS
Working through
An overview of the latest economic developments in the European sector market, and future opportunities.

INTERVIEW
Inside word
We hear from the Chairman of HR Services, who shares his insights on the current market and the company's growth strategy with Next, a Dutch private equity group.

VALUATIONS AND M&A
Summing up
The impact of the M&A activity on the European HR sector, and the challenges faced by companies in the sector.

JANUARY 2023
Horticulture

PE interest in the global TIC sector fuels M&A activity
TIC REPORT - TESTING, INSPECTION & CERTIFICATION | NOVEMBER 2022

MARKET SUMMARY
State of play
We look at the current state of the global TIC sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the TIC sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of SPECTRO, a leading TIC company, and we look at the challenges faced by the acquirer and the value added.

NOVEMBER 2022
TIC

European HR services see high M&A deal volume in 2022
SPOT ON | HUMAN RESOURCE MANAGEMENT EUROPE | NOVEMBER 2022

MARKET TRENDS
Working through
An overview of the latest economic developments in the European sector market, and future opportunities.

INTERVIEW
Inside word
We hear from the Chairman of HR Services, who shares his insights on the current market and the company's growth strategy with Next, a Dutch private equity group.

VALUATIONS AND M&A
Summing up
The impact of the M&A activity on the European HR sector, and the challenges faced by companies in the sector.

NOVEMBER 2022
HR Services

Robotics report
An update on the M&A market
NOVEMBER 2022

MARKET SUMMARY
State of play
We look at the current state of the Robotics sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the Robotics sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading Robotics company, and we look at the challenges faced by the acquirer and the value added.

NOVEMBER 2022
Robotics

Exploring the value of SaaS businesses
SPOT ON | ENTERPRISE SaaS | NOVEMBER 2022

MARKET SUMMARY
State of play
We look at the current state of the SaaS sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the SaaS sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading SaaS company, and we look at the challenges faced by the acquirer and the value added.

NOVEMBER 2022
Enterprise SaaS

IoT improves quality of life and sustainability in cities
SPOT ON | IOT | OCTOBER 2022

MARKET SUMMARY
State of play
We look at the current state of the IoT sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the IoT sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading IoT company, and we look at the challenges faced by the acquirer and the value added.

OCTOBER 2022
IoT

Building value with green construction
SPOT ON | GREEN BUILDING | OCTOBER 2022

MARKET SUMMARY
State of play
We look at the current state of the Green Building sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the Green Building sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading Green Building company, and we look at the challenges faced by the acquirer and the value added.

OCTOBER 2022
Building Materials

Energy transition-related TIC market set to consolidate
TIC REPORT - TESTING, INSPECTION & CERTIFICATION | JULY 2022

MARKET SUMMARY
State of play
We look at the current state of the TIC sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the TIC sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading TIC company, and we look at the challenges faced by the acquirer and the value added.

JULY 2022
TIC

E-Commerce Report
Thriving retail into the future
JULY 2021

MARKET SUMMARY
State of play
We look at the current state of the E-commerce sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the E-commerce sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading E-commerce company, and we look at the challenges faced by the acquirer and the value added.

JULY 2021
E-Commerce

Home run: AI takes HVAC to a new level
HVAC REPORT - HEATING, VENTILATION & AIR CONDITIONING | MAY 2022

MARKET SUMMARY
State of play
We look at the current state of the HVAC sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the HVAC sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading HVAC company, and we look at the challenges faced by the acquirer and the value added.

MAY 2022
HVAC

Rising raw material prices impact glass processors
GLASS REPORT - GLASS PROCESSING | APRIL 2022

MARKET SUMMARY
State of play
We look at the current state of the Glass sector - what's going on with M&A activity, what's the outlook, and consider the key role of digitalisation.

RECENT TRANSACTIONS
Recent transactions
Numerous transactions were completed in the Glass sector between July and October 2022 - the last which we reported, were reviewed.

CASE STUDY
In the spotlight
Oaklins has been involved in the acquisition of a leading Glass company, and we look at the challenges faced by the acquirer and the value added.

APRIL 2022
Glass Processing & Finishing

WE HAVE AN EXPERT FOR EVERY PROCESS

FINANCIAL ADVISORY ACROSS THE BOARD



✉ **GERBRAND TER BRUGGE**

Partner
Equity & ECM Advisory
Amsterdam
T: +31 6 2937 9507



✉ **JAN-WILLEM DE GROOT**

Director
Equity & ECM Advisory
Amsterdam
T: +31 6 5393 9097



✉ **FREDERIK VAN DER SCHOOT**

Managing Partner
M&A Advisory
Amsterdam
T: +31 6 2060 1568



✉ **BAS STOETZER**

Partner
Debt Advisory
Amsterdam
T: +31 6 1286 6066

OAKLINS NETHERLANDS GUARANTEES AN INDUSTRY EXPERT ON EVERY DEAL TEAM



TECHNOLOGY, MEDIA & TELECOM



AGRICULTURE



TESTING, INSPECTION & CERTIFICATION



AUTOMOTIVE



MEDTECH



MARINE EQUIPMENT



RENEWABLE ENERGY



ENTERPRISE SAAS



HEALTHCARE CLINICS



HEALTHY FOOD



Oaklins disclaimer

This report is provided for information purposes only. Oaklins and its member firms make no guarantee, representation or warranty of any kind regarding the timeliness, accuracy or completeness of its content. This report is not intended to convey investment advice or solicit investments of any kind whatsoever. No investment decisions should be taken based on the contents and views expressed herein. Oaklins and its member firms shall not be responsible for any loss sustained by any person who relies on this publication.

© 2023 Oaklins. All rights reserved.

Oaklins is the collective trade name of independent member firms affiliated with Oaklins International Inc. For details of the nature of affiliation please refer to www.oaklins.com/legal.