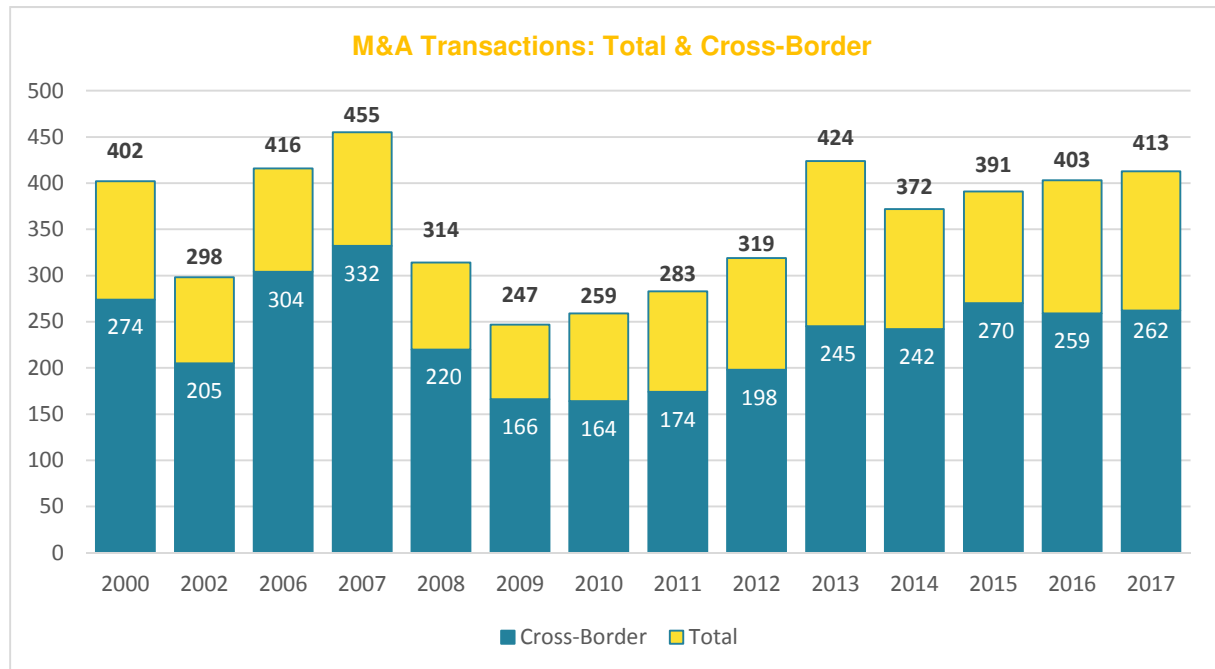


M&A-MARKET 2017 in Austria

The most interesting details concerning the Austrian M&A-Market 2017:

- A slight increase in number of transactions by approximately 2 %;
- An increase in transaction volume by 28.7 % to **new record level of € 30.03 billion**;
- An increase in average transaction size in the mid- and small-size transaction segment by 12.8 % - another new **maximum**;
- For the third time, the number of foreign buyers of Austrian companies surpassed the number of Austrian buyers of foreign companies, this year only by less than 1 %;
- A significant decrease of transactions following insolvency proceedings or restructurings;
- Also, financial investors were considerably more cautious as in previous years, especially investors from abroad.

Number of Reviewed M&A transactions 2017: 413
Number of Cross-Border transactions from total: 262 (63,4 %)



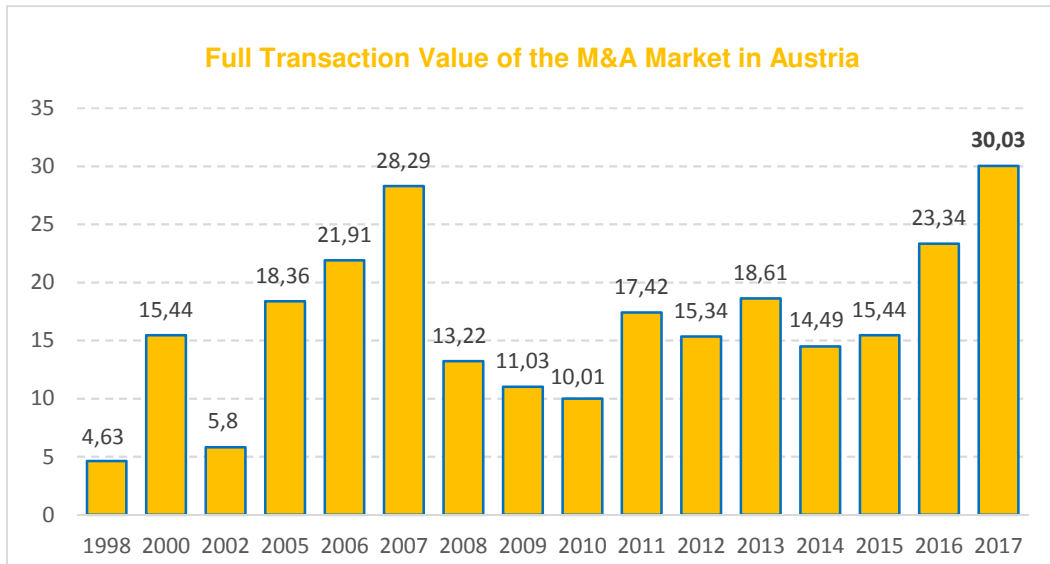
Total
 25-Year Maximum - 2007: 455
 25-Year Minimum - 1993: 221

Cross-Border
 25-Year Maximum - 2007: 332
 25-Year Minimum - 1993: 129

The number of large transactions has increased to **62** with a secured value of more than €73 million. This represents the second highest number by historical comparison—just one transaction less than in the record year of 2007. Particularly noteworthy: **seven of them were "real" jumbo transactions**, transactions with a value in excess of one billion euros.

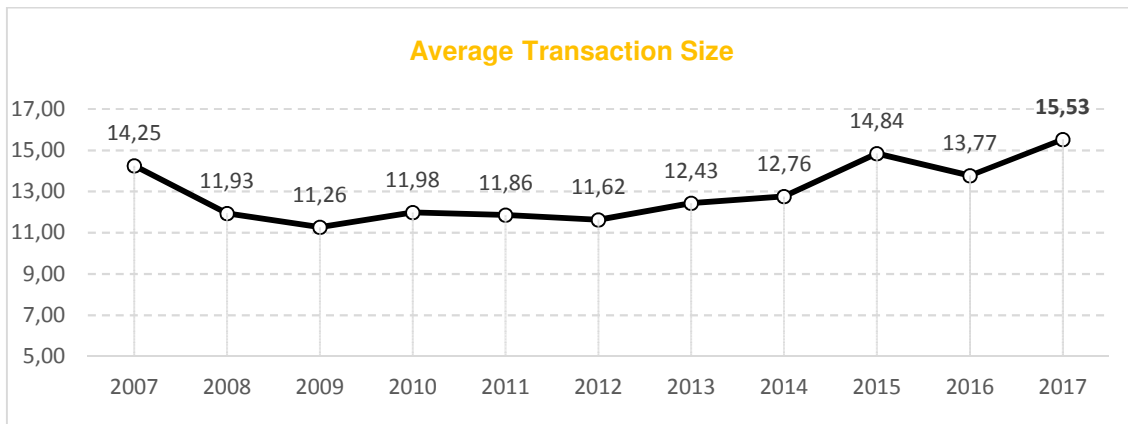
The volume of the 62 large transactions amounted to €24.57 billion, which is **4.5 times** the total remaining of the M&A market this year. This value alone would rank as the second largest transaction value in Austrian history over the past 30 years.

The **total transaction value** of the Austrian M&A market has risen significantly by **28.7%** more than the total number of transactions, from €23.34 billion to **€30.03 billion**. This is the highest value since the preparation of this report series—the absolute highest in nominal values!



Maximum - 2017: 30.03
Minimum - 1993: 3.00

The same applies to the **average transaction size**. If the Austrian M&A market is adjusted for transactions beyond the former €1 billion mark, the average transaction size has also increased by **12.8% to €15.53 million**. This is the **highest value** in the 30-year-long observation period!



Maximum - 2017: 15.53
Minimum - 1993: 8.87

1. Transactions from Bankruptcy

The number of well-known **M&A transactions resulting from a bankruptcy, as well as in the context of reorganization**, reduced surprisingly to **33 cases**—the lowest in the ten-year comparison. One possible explanation is that buyers are increasingly heeding the advice of experienced practitioners that the seemingly "cheap" purchase from a bankruptcy ultimately costs more than buying a well-behaved, market-driven company.

The transactions in this category are very evenly distributed across many different industries. The front runner is — same as in the two previous years — **the retail trade with 4 cases** but with a very low absolute number.

2. Transactions with cross-border connections

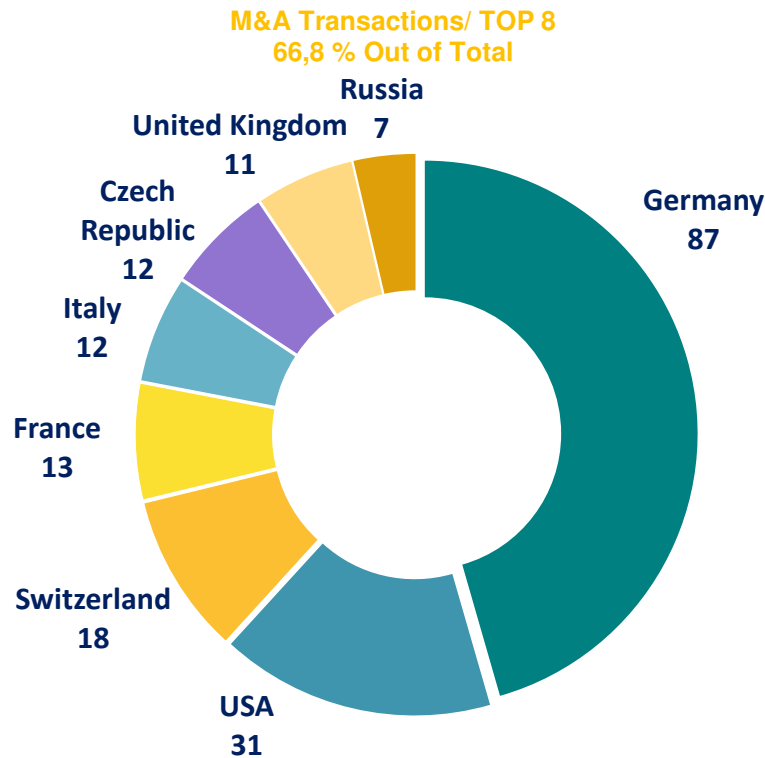
The trend of recent years continues through 2017, according to which M&A activities with foreigners or cross-border connections appear to be somewhat below the long-term average of just under two-thirds of all transactions.

However, it is somewhat less clear that it can be interpreted as another development.

As a reminder, in 2015, it was an **absolute first**, for the **first time in the 30-year observation period**, that the **number of foreign buyers in Austria has surpassed the number of Austrian buyers abroad**. Austria has always been a classic "buyer nation" in the last three decades, despite often being different than public perception.

In the previous years, the numbers have been similar, but in 2015, the situation is **"tilted"**. Trend reversal or temporary appearance? The share of foreign buyers barely outweighed 51.4% of all cross-border transactions in 2015, rising to 53.4% in 2016, to drop to 50.3% in 2017. The gap opened from 2.7% in 2015 to 6.8% the following year, to close at 0.7% in 2017. This magnitude may probably be considered as "within statistical variance". The above question will therefore only be answered in the upcoming years.

The structure of M&A activities with cross-border connections has not changed significantly. With regard to destinations, the established nations prevail:



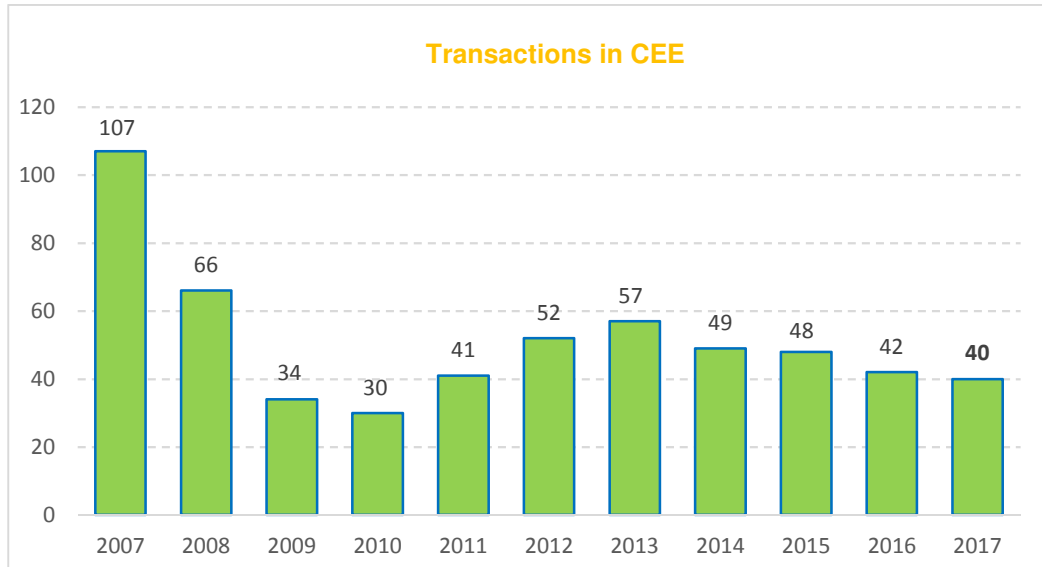
In 2017, **45 different nations** were involved in transactions involving Austria — some of them with quite an "exotic" background.

The number of transactions in **CEE countries fell to 40 transactions**, with the relative share of only 15.27% just above the historical minimum from the year 2000.

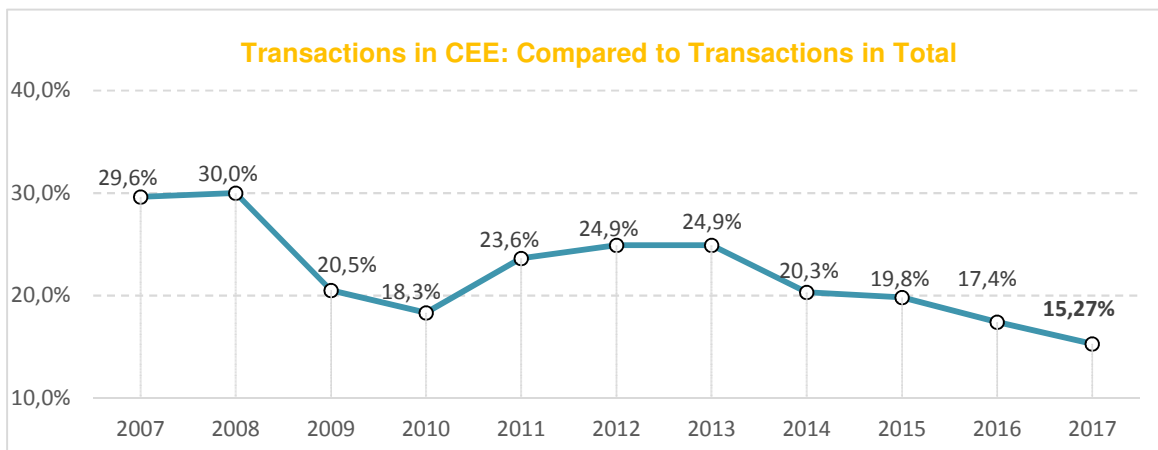
Top Nations 2017: **Czech Republic** and **Russia**

Exactly 25% of all acquisitions in this category relate to purchases of Austrian companies by CEE companies.

Noteworthy: Czech companies acquired as many companies in Austria as Austrian companies acquired Czech companies in the Czech Republic. Altogether, it was a double-digit number and **Czech Republic placed 6th** in the international ranking.



Maximum - 2007: 107
Minimum - 1999: 29



Maximum - 1994: 54.4%
Minimum - 2000: 15.2%
For comparison: **All-time high - 1992: 65.3%**

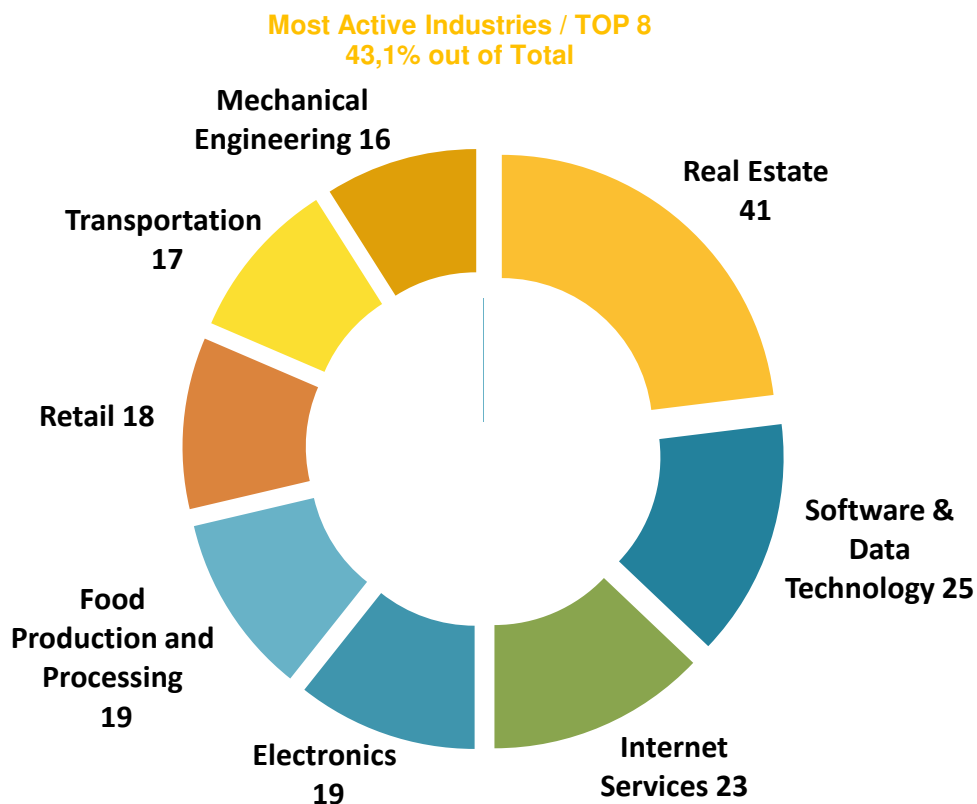
3. The Most Active Industries

The detailed analysis of the sector-by-sector breakdown reveals a number of interesting information for 2017:

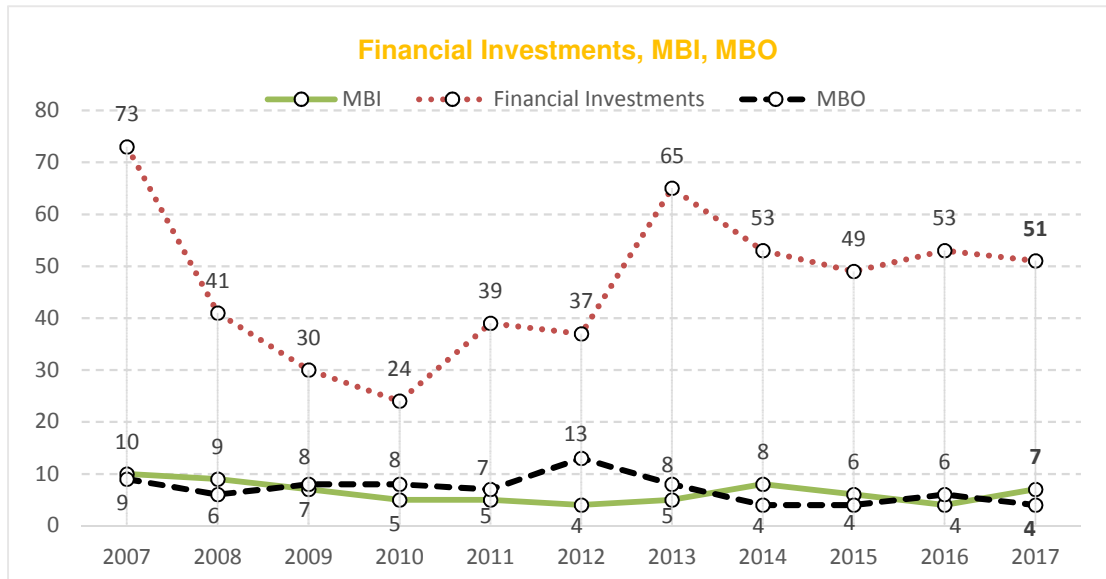
1. The **classic industry**, which dominated Austrian M&A activity in the period under review, was somewhat less active in 2017 than in previous years. A significant increase can only be reported for the historically very active area of food production and processing. 60% of the branches show smaller increases. These are offset by significant declines in former "parade" industries, in particular the areas of electrics/electronics and—to a lesser extent—mechanical and plant engineering.
2. The financial sector is not represented among the top sectors in 2017! At the banks, the large-scale completion of the restructuring in the Volksbanken and Raiffeisen sector, which in the past resulted in numerous mergers and acquisitions, led to a significant reduction in the number of transactions.
3. The retail sector is stabilized at a high level among the top sectors. After an exceptional year in 2016, wholesale almost halved in 2017 and returned to the average level of the last decade.

As always, since 2010 (with the exception of the year 2015), the real estate companies rank first in the industry analysis and, thus, as the "**annual winner**".

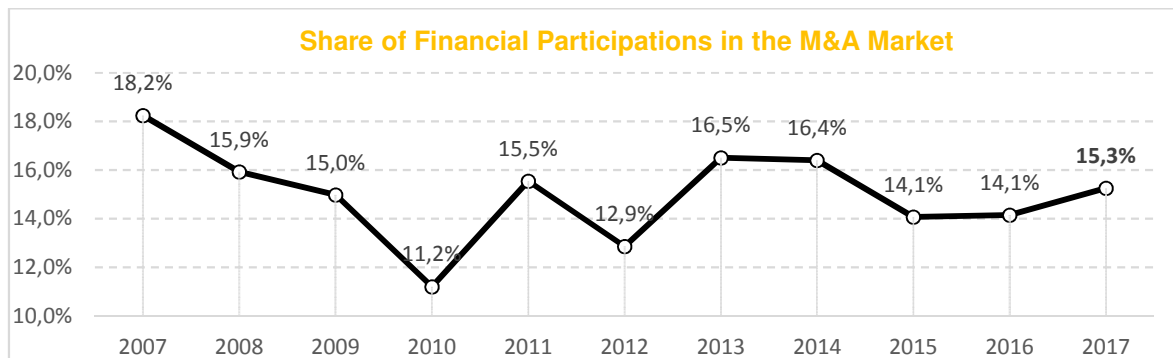
The graph shows how transactions across the most acquisition-friendly industries took place.



4. „Non-Strategic“ Acquisitions/Financial Participations



<p>MBI Maximum - 1993: 15 Minimum - 1999: 2</p>	<p>Financial Investments Maximum - 2007: 73 Minimum - 1999: 7</p>	<p>MBO Maximum - 2001: 18 Minimum - 2012: 4</p>
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<p>Maximum - 2007: 18.2% Minimum - 1999: 4.0%</p>

In the Austrian investment market, the buyer side is structured extremely heterogeneously as there are no dominant market players. In 2017, same as in previous years except for 2012, "first among equals" were the funds of the AWS.

The share of foreign financial investors fell from 55.1% in 2015 to 35.3% of all financial investments in 2017 after two strong years. This development is counter to that of cross-border transactions. Most foreign financial investors come from the **United States** and **Germany**.

5. Summary

The securities industry would say: "The market is moving sideways ..."

In fact, many aspects of the M&A market show no significant developments. The most important indicator—the number of transactions—shows only a slight increase of + 2.5%. From this, only 1% can be explained by the inclusion of MBOs in the statistics, and at least another one percent is "statistical variance".

Nevertheless, 2017 brought two records—both in terms of very important metrics:

- The transaction volume of the Austrian M&A market, and
- The average transaction size in the small and medium market segment

Both represent nominal quantities, which in closer inspection realizes something. The total size of transactions depends very much on cyclical influences, transaction volume and size, and on monetary determinants, in particular money supply growth and asset price inflation. This explains why the volume has increased tenfold in the 25-year observation period, while the number of transactions seems to stagnate, but still at a high level.

An apparent paradox may be seen in the fact that the average transaction size has only just doubled over the same period. This can be explained by a small extent statistically from the self-imposed group value limits, but much more from the large increase in large transactions and the **Cantillon effect**—one of the consequences of any large monetary expansion. Incidentally, the average transaction size, including large transactions, only increased by about 5.5 times over the observation period. The overwhelming majority of the market is actually completing smaller transactions, probably due to the increasingly difficult financing environment, but also from the increased caution in external growth. Only the very small number of beneficiaries of the Cantillon effect in Austria grows with actual inflation.

In the real economic context, buying and selling companies have asserted themselves as a strategic option for company development and are now used in Austria by companies of all sizes. The Austrian market has a "high level of saturation". It moves because of the capacity of players within certain ranges; whereby, the different industry cycles additionally provide for a kind of "smoothing" in the M&A market. At the same time, it is highly fragmented. Although the "usual" corporate buyers are moving into the market, they are rather cautious. At the same time, there are many new entrants from the medium and even the small business segment.

An interesting **historical comparison** is permitted. If the statistics from the year 2017 are adjusted for the real estate companies, whose strong rise and contribution in the last 15 years can also be interpreted as a result of the Cantillon effect, it is strikingly reminiscent of the year 2000. The good news is that if 2018 is similar to 2001, direct investment in companies is still one of the most crisis-resistant investments.

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Vienna, May 2018