

M&A appetite expected to remain robust

While the current Belgian M&A appetite is slightly lower overall than in the second half of last year, small and mid-sized firms present a significant increase in P/E ratios in the last twelve months, up 14.7% and 19.4% respectively. The decrease in appetite is only observed for larger corporations with P/E multiples down 2.5% in June 2017 as compared to December 2016. The overall year-on-year decrease amounts

to 1.3%, indicating stable analyst expectations in terms of Belgian M&A appetite in the first half of the year. What we see is that multinational corporations have been affected by uncertainties related to the Brexit or international political elections during the last twelve months. For the rest, amidst a strong global economic outlook, M&A appetite is expected to remain robust in the near future.

M&A Predictor for Belgian quoted companies

	P/E						Net debt/EBITDA		
	30-Jun-16	31-Dec-16	30-Jun-17	% change	B vs A	C vs B	30-Jun-16	30-Jun-17	% change
	30-Jun-17	31-Dec-17	30-Jun-18				30-Jun-17	30-Jun-18	
	A	B	C	C vs A	D	E			
Top 20 companies	18,1x	18,2x	17,6x	(2,3%)	0,7%	(3,0%)	3,7x	3,1x	(18,0%)
Mid 20 companies	14,3x	16,0x	17,0x	19,4%	12,4%	6,2%	0,8x	0,4x	(52,5%)
Smaller companies	12,1x	11,7x	13,9x	14,7%	(3,7%)	19,1%	1,0x	0,6x	(38,9%)
All companies	17,8x	18,0x	17,6x	(1,3%)	1,3%	(2,5%)	3,5x	2,9x	(18,2%)

Source: CapitalIQ, KPMG analysis

What is KPMG's M&A Predictor?

KPMG's M&A Predictor is a forward-looking tool that helps member firm clients to forecast trends in mergers and acquisitions. It looks at the appetite and capacity for M&A deals by tracking and projecting important indicators 12 months forward. The rise or fall of forward P/E (price/earnings) ratios offers a good guide to the overall market confidence, while net debt to EBITDA (earnings before

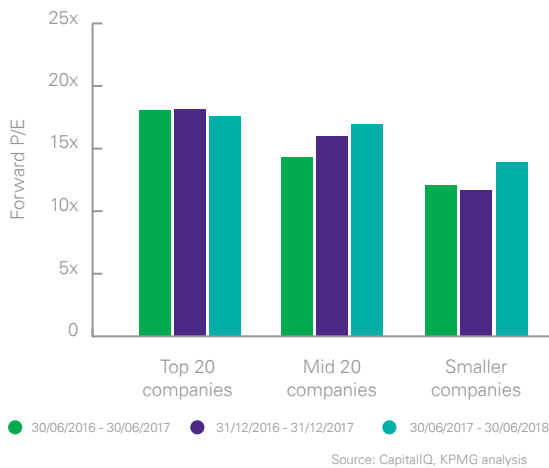
interest, tax, depreciation and amortization) ratios helps gauge the capacity of companies to fund future acquisitions. The Predictor covers the ratios for Belgian stock quoted companies. Companies for which earnings estimates are not available are excluded from the data set, in addition to outliers. Companies are divided in 3 groups (Top 20, Mid 20 and Smaller) based on their market cap as at 30 June 2017.

“Our professionals have noted high levels of deal activity this summer – a period of the year that typically exhibits lower deal volumes.”

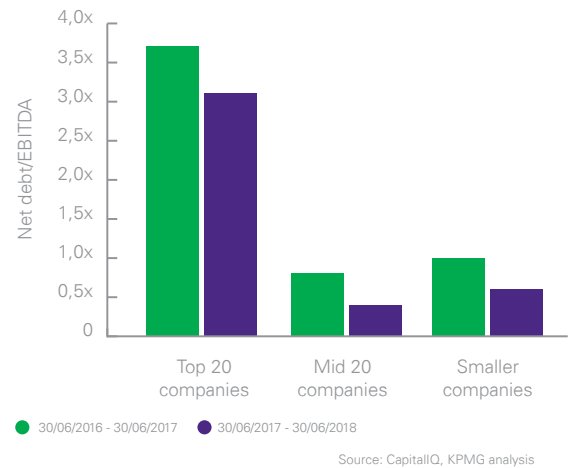
The deal flow continues to remain strong with an increase in completed deals during the first half of 2017 by Belgian bidders including Solvay, UCB, House of Talents, Mediahuis

and Besix. In addition, the Belgian M&A market has seen some large transactions involving foreign bidders for Belgian targets, including Betafence, ADB Safegate and Eni Belgium.

M&A appetite of Belgian companies



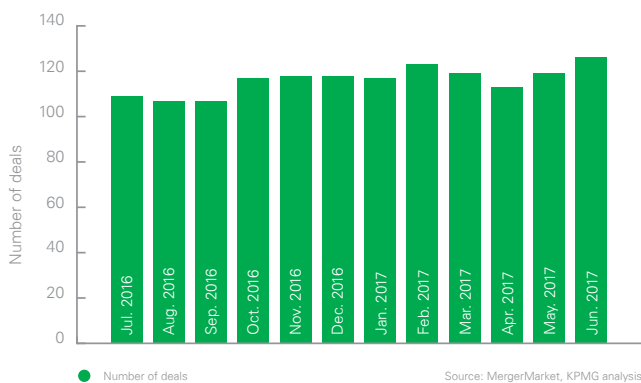
M&A capacity of Belgian companies



Forward P/E multiples have increased for small and mid-sized companies in the second half of the year (+19,1% and +6,2% respectively). On the other hand, larger corporations were faced with slightly decreasing multiples in the last six months (-3,0%).

We observe very low debt levels for small and mid-sized companies, which indicates substantial funding capacity among that group. Moreover, analysts expect the funding capacity to significantly improve for all corporations. This has been triggered by a rise in corporate earnings associated with central banks sending signals to halt low interest rate stimuli.

Deal execution continues to gain momentum



The graph on the left side shows trailing statistics for worldwide completed deals involving Belgian bidders. We observe a modest increase in deals completed during the first half of the year, especially during the last trimester.

