INTERNATIONAL CERTIFIED VALUATION SPECIALISTS

MEMBERSHIPS AND INTERNATIONAL CERTIFICATIONS

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AWARDS & RECOGNITIONS

SME news FINANCE AWARDS 2019

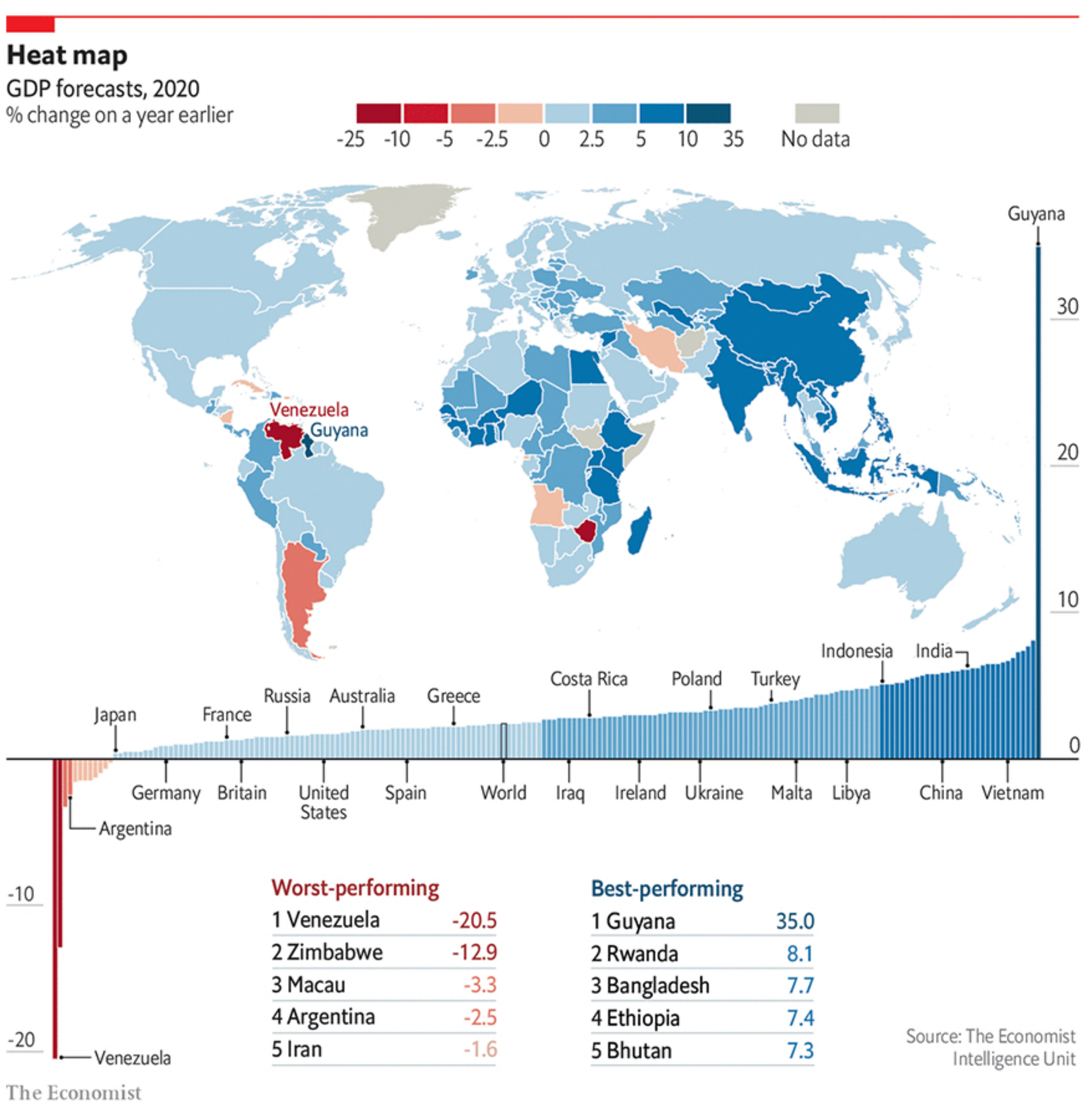
Valuation Company of the Year 2019 - London

Index

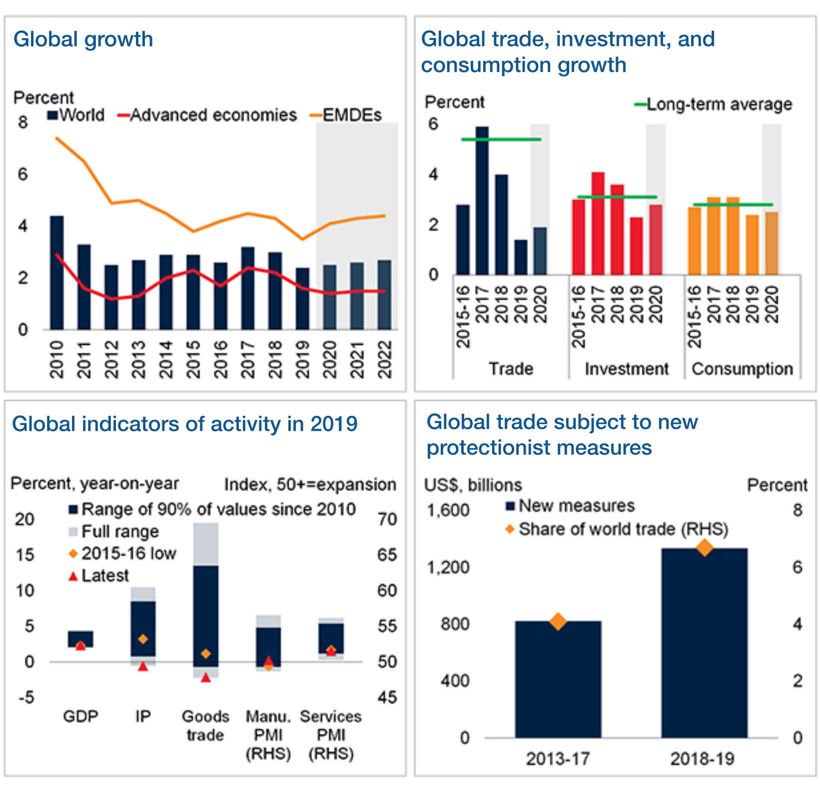
1. ECONOMY OVERVIEW 2020

Following a year during which weak trade and investment dragged the world economy to its feeblest performance since the global financial crisis, economic growth is poised for a modest rebound this year. However, for even that modest uptick to occur, many things have to go right.

Global growth is set to rise by 2.5 % this year, a small rise from an estimated 2.4 % in 2019, as trade and investment gradually recover. Emerging market and developing economies are anticipated to see growth accelerate to 4.1 % from 3.5 % last year.



Even this tepid global rally could be disrupted by any number of threats. Trade tensions could re-escalate. A sharper-than-expected growth slow-down in major economies would reverberate widely. A resurgence of financial stress in large emerging markets, an escalation of geopolitical tensions, or a series of extreme weather events could all have adverse effects. The fragile outlook is mainly driven by three factors:



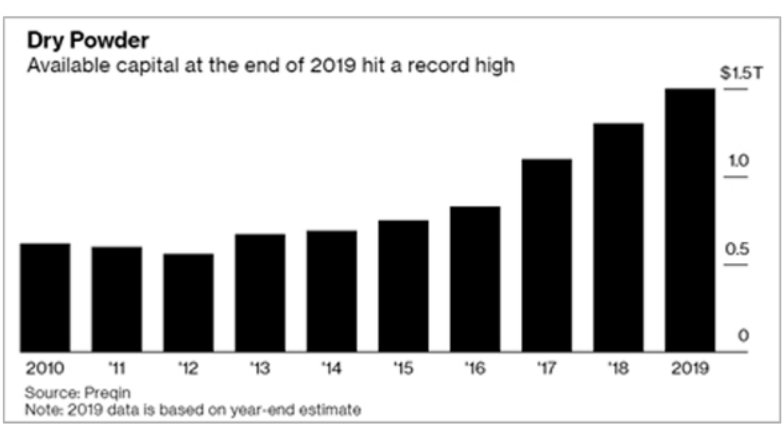
- Debt accumulation in advanced and emerging economies. Although currently low interest rates mitigate risks, the three previous waves of debt accumulation in debt have ended badly.
- Slowdown in productivity growth (output per worker) which is essential to raising living standards.
- Trade and price control which can dampen investment and growth, worsen poverty outcomes, and lead to heavier fiscal burdens.

2. M&A TRENDS 2020

2.1 POSITIVE TRENDS

- Highest Dry Powder

PEs show the highest liquidity in years (dry powder shown in the graph below). Low interest rates, the rise of index-tracking funds and years of lackluster hedge fund performance have pushed investors to private equity in search of higher returns.



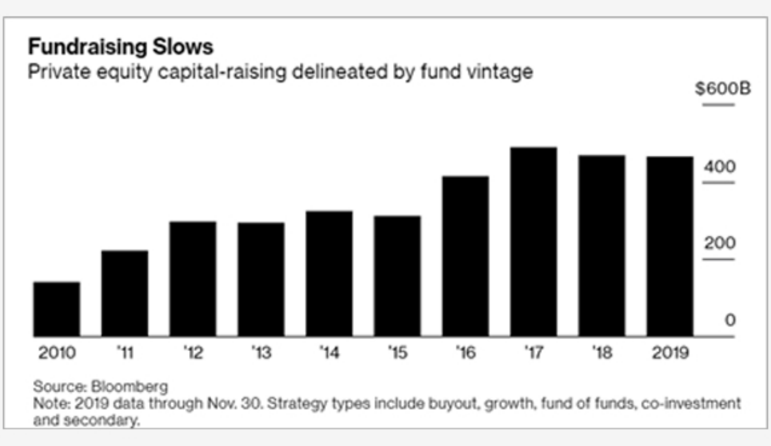
- New Asset Classes are emerging (Source: Pitchbook)

- Electric air taxi startups
- Autonomous vehicle startups to be main targets for automakers.
- Fees and deposit interest rates will be the next battleground between incumbent banks and fintech firms for retail financial services.
- Large insurance corporations will fuel a record year of insurtech M&A.
- Container security startups will see additional M&A and a mega-deal.
- Cellular low-power wide-area networks (LPWAN) will continue to grow rapidly and gain the upper hand in the IoT protocol wars.

- Increased Certainty around Brexit
- Low interest rates
- Technology disruption across sectors

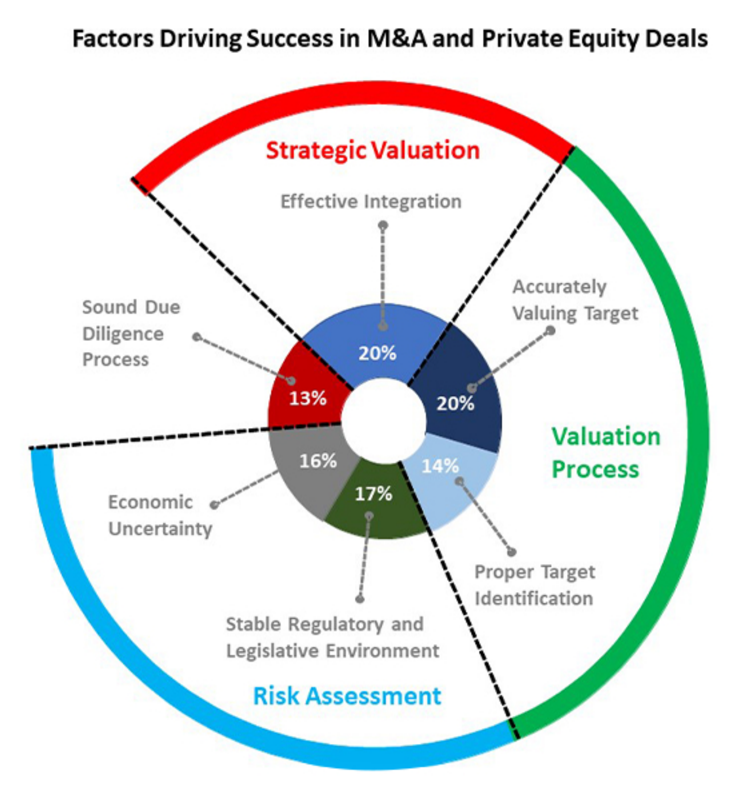
2.2 NEGATIVE TRENDS

- Global trade tensions will continue to have an impact on M&A
- High Valuations
- Fundraise Slows



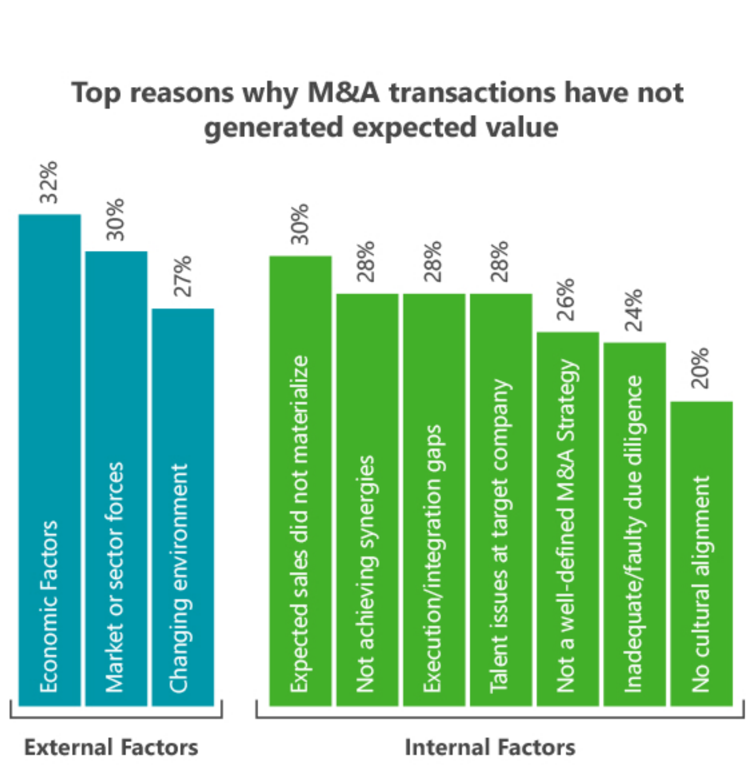
3. ACCURATE VALUATIONS DRIVING M&A SUCCESS

A recent survey conducted by Deloitte showed that 40% of respondents say that up to half of their deals in the past two years failed to generate expected value or return on investment. Most point to external factors for the underperformance, such as the economy, market/sector forces, or regulation.



About 20% of respondents point to inaccurate valuation of the targets and 14% of respondents point to the unproper identification of the target. Both factors are assessed and explored during the valuation process (green part of the cake on the left side figure). In other words, 34% of a successful deals depend on the valuation process.

In addition, 20% respondents say they lack a well-defined strategy and fail to achieve an effective integration. A lower percentage (13%) claim due diligence was inadequately performed. Economic uncertainty is also an important factor with 16% of respondents.



In order to face economic uncertainty and regulatory environment, investors need to elaborate an advance risk analysis which should also be done during the valuation process (these factors combined represent 33% of the respondents). This step is sometimes underestimated or simply avoided with undesired consequences. Finally, during the valuation process and based on the internal and external factors of the target, a value creation plan and strategy must be defined to succeed and achieve expectations.

Main Factors for Lack of Success in M&A Deals According to Investors:

- 20% due to inaccurate valuations
- 14% due to unproper identification of targets
- 33% due to economic uncertainty and unstable regulatory environment
- 20% due to a well defined strategy

A better assessment of all these factors to mitigate risk and increase success probabilities can be achieved during the Valuation Process of the Target

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