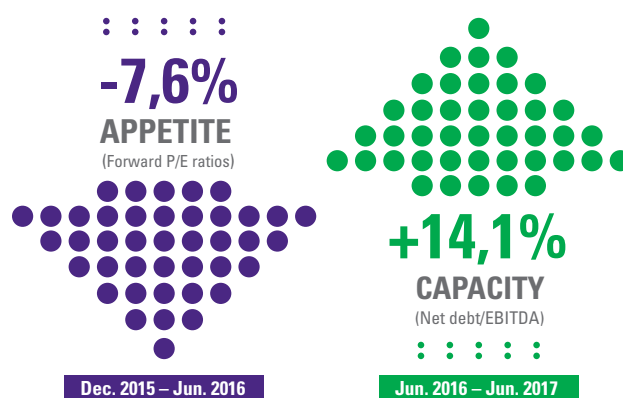


# M&A Predictor Belgium

The slowdown in deal appetite reflects the general M&A sentiment after Brexit, although we have not yet seen the impact on the deal pipeline

Six months ago we observed an increase in the Belgian M&A appetite for the second half of 2015, and looking at the past 12 months we have indeed seen a continued increase (4.1%) in appetite. However, analysts currently indicate lower expectations in terms of the current Belgian M&A appetite, with P/E ratios 7.6% lower in June 2016 compared to the beginning of the year. The decrease is steeper for bigger corporations compared to smaller corporations (-7.8% vs. -4.8%). This trend is mainly driven by lower investor confidence in the first two months of 2016 and most recently with the Brexit referendum bringing uncertainty in stock markets, especially in Europe. Though, despite the dip in deal appetite, the number of completed deals remains stable compared to the previous six months.

Looking at Net Debt / EBITDA ratios, we observe a higher funding capacity for Mid 20 companies while the capacity decreases slightly for bigger corporations. We have also seen funding capacity of smaller companies increase.



## M&A Predictor for Belgian quoted companies

	P/E			% change	Net debt/EBITDA			% change	
	30-Jun-15	31-Dec-15	30-Jun-16		30-Jun-15	30-Jun-16	30-Jun-16		
	30-Jun-16	31-Dec-16	30-Jun-17		30-Jun-16	30-Jun-17			
	A	B	C	C vs A	B vs A	C vs B	D	E	
<b>Top 20 companies</b>	19,1x	21,6x	19,9x	4,4%	13,3%	(7,8%)	2,2x	2,3x	5,2%
<b>Mid 20 companies</b>	12,6x	13,2x	12,4x	(2,0%)	4,6%	(6,3%)	1,1x	0,8x	(24,4%)
<b>Smaller companies</b>	12,7x	13,0x	12,4x	(2,3%)	2,6%	(4,8%)	0,8x	0,8x	(6,0%)
<b>All companies</b>	18,7x	21,1x	19,5x	4,1%	12,7%	(7,6%)	1,2x	1,1x	(14,1%)

Source: CapitalIQ, KPMG analysis

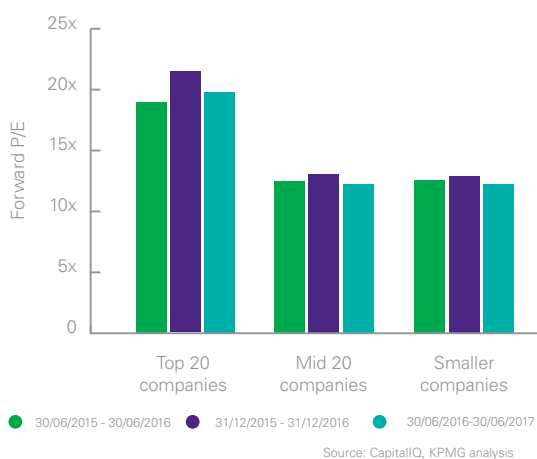
## What is KPMG's M&A Predictor?

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

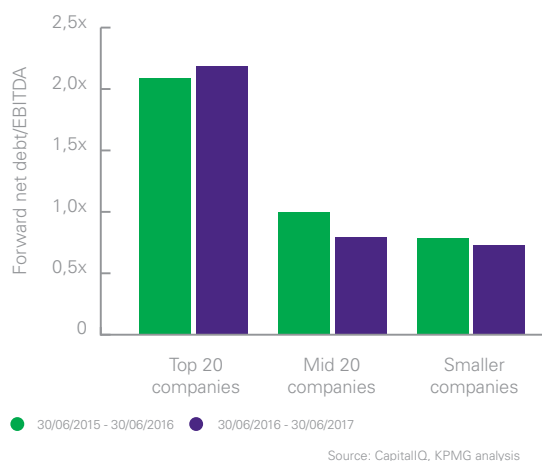
interest, tax, depreciation and amortization) ratios helps gauge the capacity of companies to fund future acquisitions. The Predictor covers the ratios for Belgian stock quoted companies. Companies for which earnings estimates are not available are excluded from the data set, in addition to outliers. Companies are divided in 3 groups (Top 20, Mid 20 and Smaller) based on their market cap as at 30 June 2016.

“We did see a temporary dip in appetite immediately after the UK EU referendum, however, the number of completed deals is comparable to the deals completed in the previous 6 months.”

### M&A appetite for Belgian companies



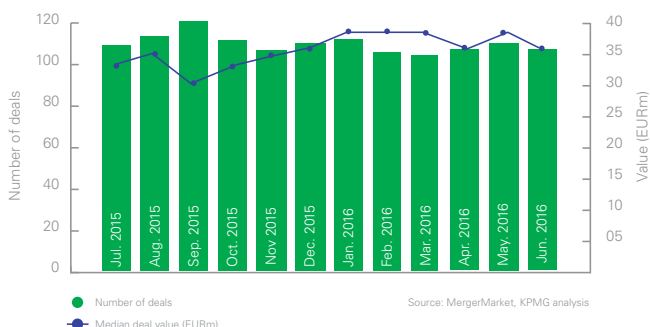
### M&A capacity of Belgian companies



For all company sizes, Forward P/E multiples have increased in the second half of 2015 and decreased since the beginning of 2016. The decline seen in the first half of 2016 is the strongest for Top 20 companies and the weakest for smaller companies.

While the overall funding capacity has improved, we observe mixed results for the different company sizes. Analysts estimate the funding capacity to be slightly decreasing for Top 20 companies, improving for Mid 20 companies, and improving for small companies.

### Deal execution continues to gain momentum



We observe the same level of deals completed in the first six months of 2016, compared to the previous period. The median deal value went up in the first two quarters of 2016 as well.

[kpmg.com/Predictor](http://kpmg.com/Predictor)  
[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



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