The Dutch M&A market - exception to the rule?

KPMG Global Deal Activity Update

2019 Analysis

KPMG Deals - Corporate Finance
### Executive Summary

1. **Dutch deal activity appears to be late cyclical**
   - Dutch deal activity has further increased during 2019 amidst the current slowdown of deal activity in the EU and worldwide
   - Both total deal volume (+12%) as well as total deal value (+63%) increased in 2019 compared to 2018 in the Netherlands, whereas both deal volume and deal value decreased in the EU and on a global level

2. **High investment pressure among PE’s**
   - Financial investors still have sufficient dry powder and investment appetite in the Netherlands, accounting for one third of total Dutch deal volume in 2019
   - Despite the fact that valuation levels further increased to a record high in over a decade, the number of entry investments is exceeding the number of exits by the highest amount since 2010

3. **The Netherlands is an international M&A market**
   - The majority (60%) of recorded deal volume the in Netherlands consisted of cross-border deals in 2019, amounting to 523 deals in which a Dutch bidder acquired a foreign target or vice versa
   - This deal activity underpins the open character of the Dutch economy, in which the minority of all transactions (40%) consists of both the target and bidder being Dutch

4. **The Netherlands remains a net-seller of companies**
   - Looking at cross-border deals, the Netherlands is a ‘net-seller’ of companies since 2014, reflected by the higher amount of deals in which international buyers acquire Dutch targets compared to non-Dutch targets acquired by Dutch buyers
   - This demonstrates the quality and attractiveness of Dutch companies, further confirmed by record valuation levels during 2019
KPMG Deal Activity Update

Snapshot overview of the M&A market in 2019

**number of deals**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WORLD</th>
<th>EUR</th>
<th>2019</th>
<th>2018</th>
<th>delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
<td>19,965</td>
<td>21,238</td>
<td>(6.0)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>8,203</td>
<td>8,512</td>
<td>(3.6)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>852</td>
<td>760</td>
<td>12.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**deal value in €bn**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WORLD</th>
<th>EUR</th>
<th>2019</th>
<th>2018</th>
<th>delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR</td>
<td>3,010</td>
<td>3,021</td>
<td>(0.4)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>843</td>
<td>910</td>
<td>(7.3)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>80</td>
<td>49</td>
<td>63.6%</td>
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<td></td>
</tr>
</tbody>
</table>

Note: A deal is characterised as a financial deal if either the seller or buyer is a financial investor.
Source: Mergermarket – based on announcement date, data per 17-2-2020; KPMG Analysis

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Growing Dutch M&A market going against EU and worldwide trends

Global deal volume decreased worldwide with 6.0% and in Europe with 3.6% from 2018 to 2019, whereas the number of deals increased in the Netherlands with 12.1%

Valuation levels in terms of EV/EBITDA multiples have further increased in the Netherlands, to a median EV/EBITDA of 11.8x, while Europe and the global market saw a decline in median EV/EBITDA multiples

Note: Displayed analysis concerns median EV/EBITDA multiples
Source: Mergermarket – based on announcement date, data per 1-2-2020; KPMG Analysis
Looking at the Netherlands, deal volume increased to 852 announced transactions in 2019, a growth of 12.1% from 2018.

With 238 deals financial investors accounted for 28% of the total deal volume in the Netherlands in 2019, which is in line with previous years.

Looking at financial deals in the Netherlands, financial investors made a total of 144 entry investments, amounting to roughly 61% of total financial deals in 2019.

Source: Mergermarket – based on announcement date, data per 17-2-2020; KPMG Analysis
No visible investment slowdown among financial parties in the Netherlands

Type of financial deal
split by entry/exit/secondary - Netherlands (2019)

- Entry: 144 entry investments (61%)
- Exit: 60 exits (25%)
- Secondary: 34 secondary investments (14%)

Number of financial deals
split by entry vs. exits - Netherlands (2019)

Within financial deals, roughly 61% of the transactions were related to entry investments versus 25% for financial exits.

The number of entry investments in the Netherlands is at the highest level over the 2010-2019 period in the Netherlands. Moreover, the number of entry investments exceeding the exits, so called “net investments” is also at the highest level since 2010, totalling 84 more entry investments than exits in 2019.

This increase in net investments demonstrates that there has been no investment slowdown among financial investors in the Netherlands and that these parties still have sufficient dry powder and investment appetite.

Throughout the years, targets in the industrial sector have consistently generated the majority of transactions for financial investors. However, technology deals have grown significantly emphasizing the importance of technology in the current economy.
The Netherlands recorded a total of 523 cross-border deals in 2019, 220 of which concerned a Dutch bidder acquiring a foreign target (“import”) and 303 transactions in which a foreign buyer acquired a Dutch target (“export”). In 329 transactions both the target and bidder were Dutch (“local”).

Looking at the countries where Dutch buyers acquired foreign assets, Germany ranks as the number one geographic region in 2019, followed by the US, Belgium, and France. In line with previous years, US buyers demonstrated the strongest appetite for Netherlands based assets, acquiring a total of 64 companies in 2019.

Countries eager to acquire Dutch companies in 2019 are the UK, France, Belgium and Germany. In line with previous years, US buyers demonstrated the strongest appetite for Netherlands based assets, acquiring a total of 64 companies in 2019.

About KPMG Deal Advisory

- **Deal professionals**: >8,200
- **Offices globally**: 170
- **Countries**: 84

In the Netherlands our practice consist of 200 professionals and we serve a broad clientele of listed and private corporate clients, financial investors, as well as governmental institutions. A selection of recent accomplishments include:

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