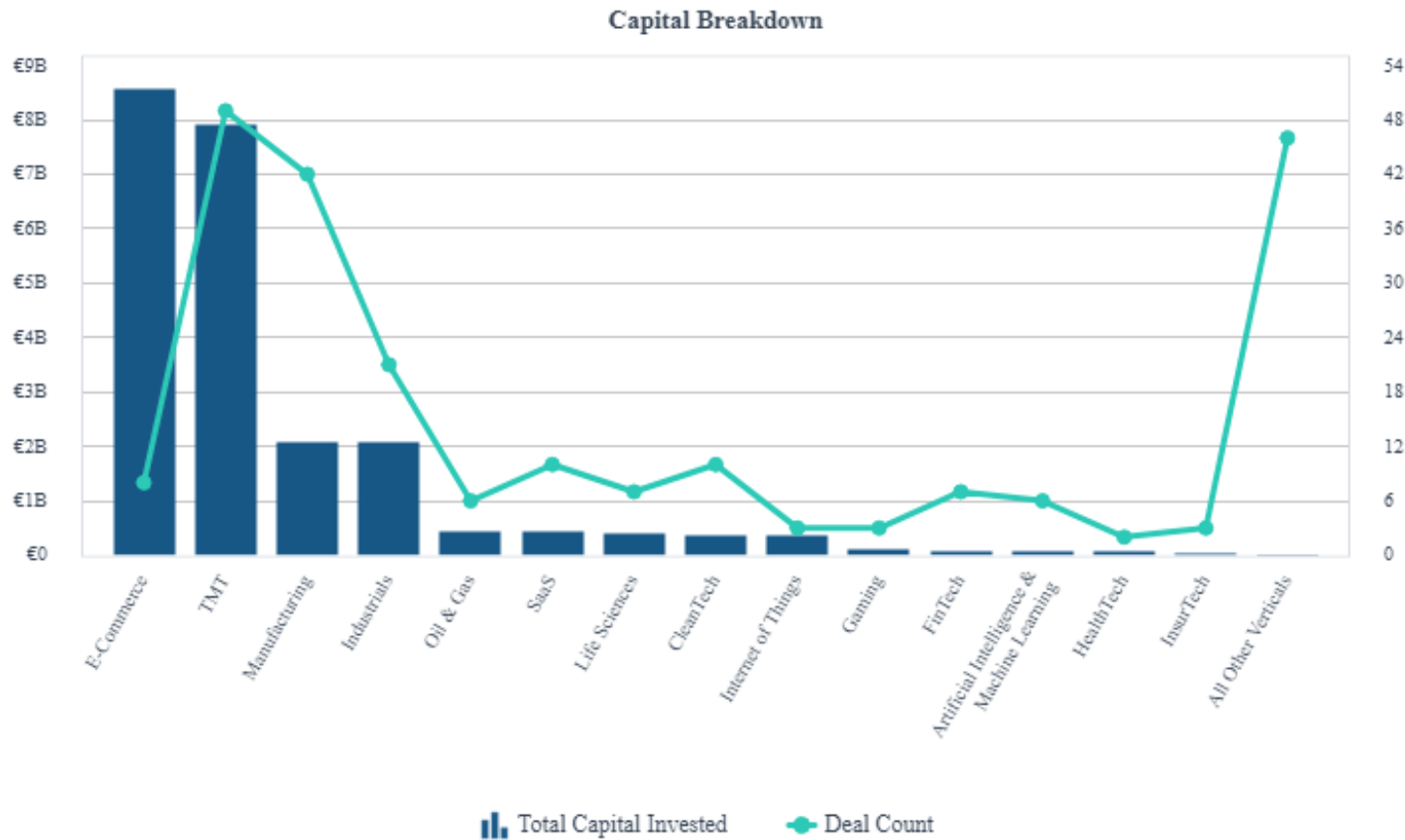


M&A update: Activity in Benelux (2/2)



As of October 2020



Source: PitchBook Data



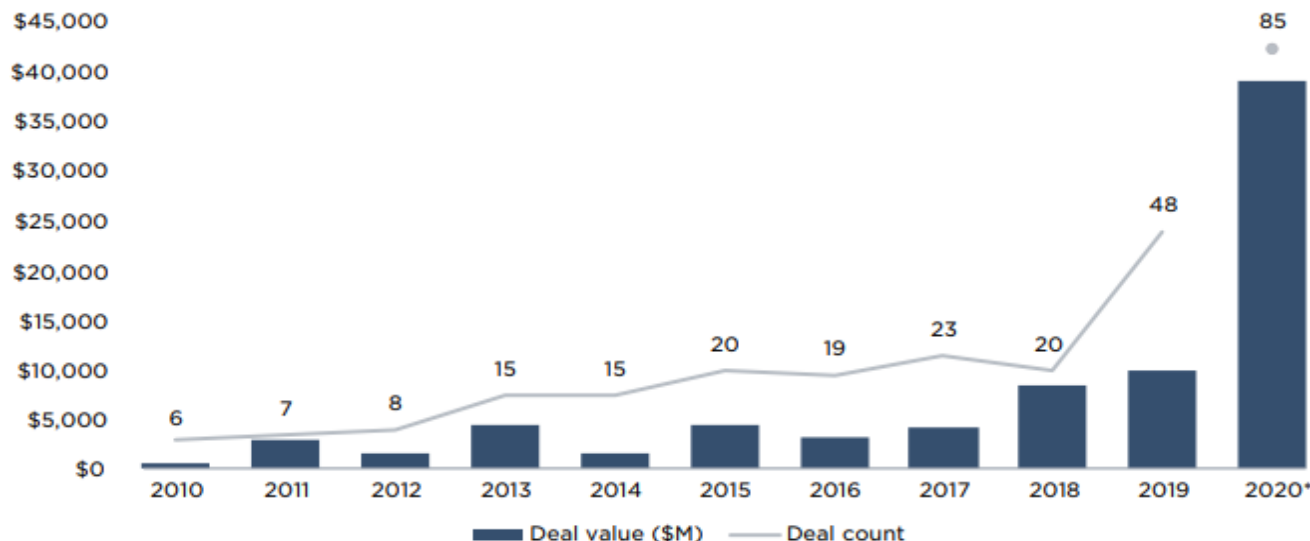
M&A update: IPO & SPACs

Resurgence of volatility-proof structures

- Various vehicles coming back – SPAC Special Purpose Acquisition Companies (SPACs), an investment vehicle from the 1980s has made a strong come back over the last few years and especially in 2020 with 82+ IPO of SPACs and USD 31bn flowing in as of end of 3Q2020. While SPACs empirically return less than traditional IPOs, they enable to raise capital during the listing process. NYSE has already planned to fix this obvious inefficiency by adding primary shares in the opening auctions. Also, traditional IPOs and direct listings involve an auction process to sell shares with higher risk correlated to market volatility. Volatility being one of this pandemic's main attribute, SPACs are providing safety net to investors with better economics. Meanwhile, the target(s) only deal with 1 counterpart instead of a myriad of investors.

SPAC registration in the US over the past decade

* as of 3Q2020



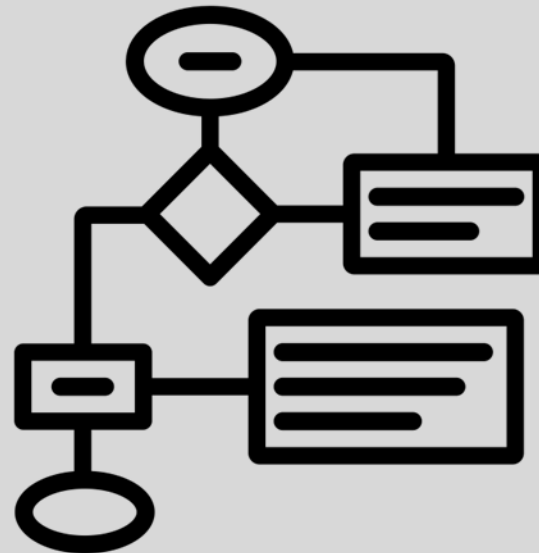
Le deal – le Pourquoi ? (intentions stratégiques)

The deal – The Why? (strategic intent)



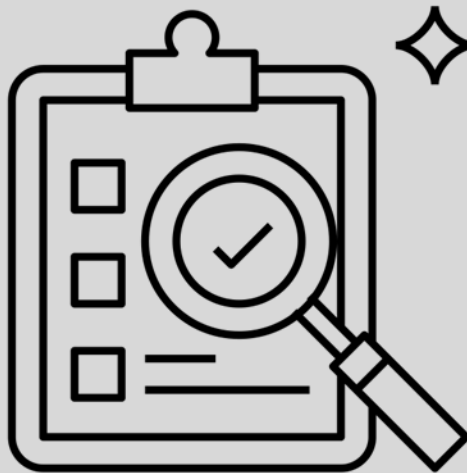
Le deal – le Comment ? (la structuration)

The deal – the How? (the structuring)



Le deal – l'Analyse (évaluation et due diligence)

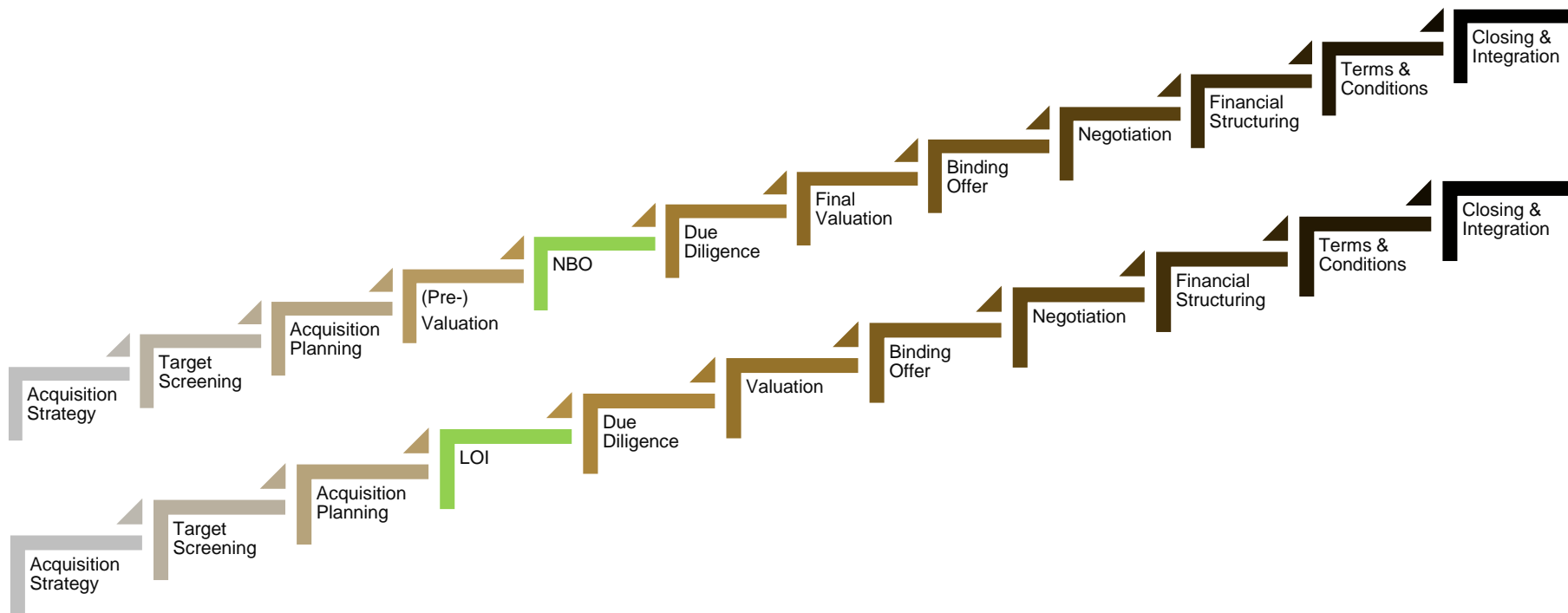
The deal – the Analysis (valuation & Due Diligence)



M&A standard process: acquisition



LOI or NBO ? Depending on the context

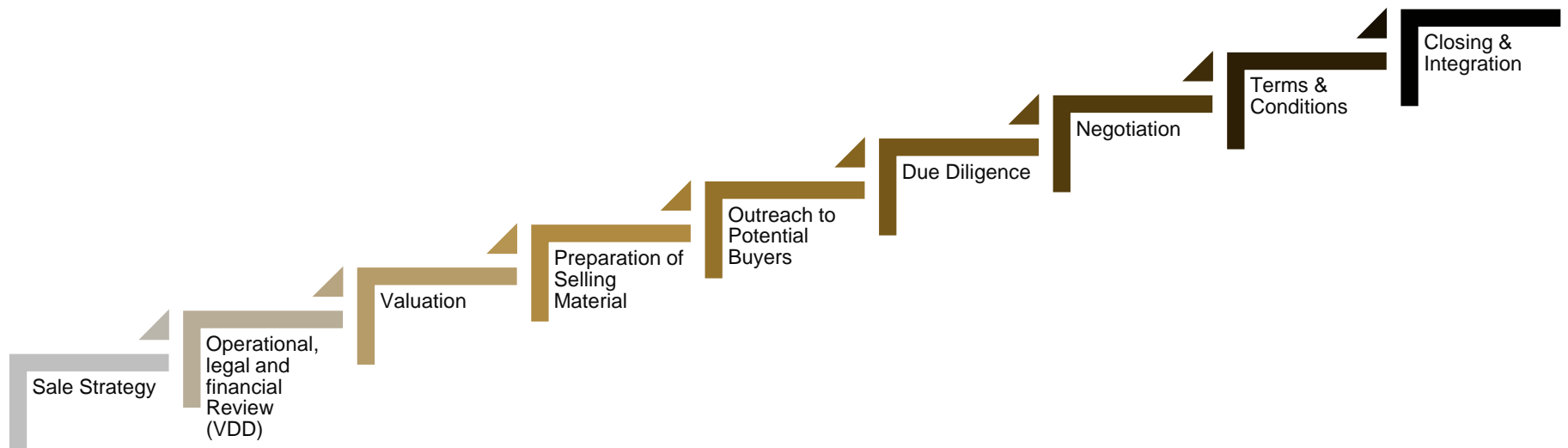


12 novembre 2020

Webinar
Sources: European Central Bank; Mergermarket; Reuters; Pitchbook;;
EY, PWC, ABA analysis

M&A standard process: sale

Be ready and clean upfront (VDD & Valuation)



Valuation (1)

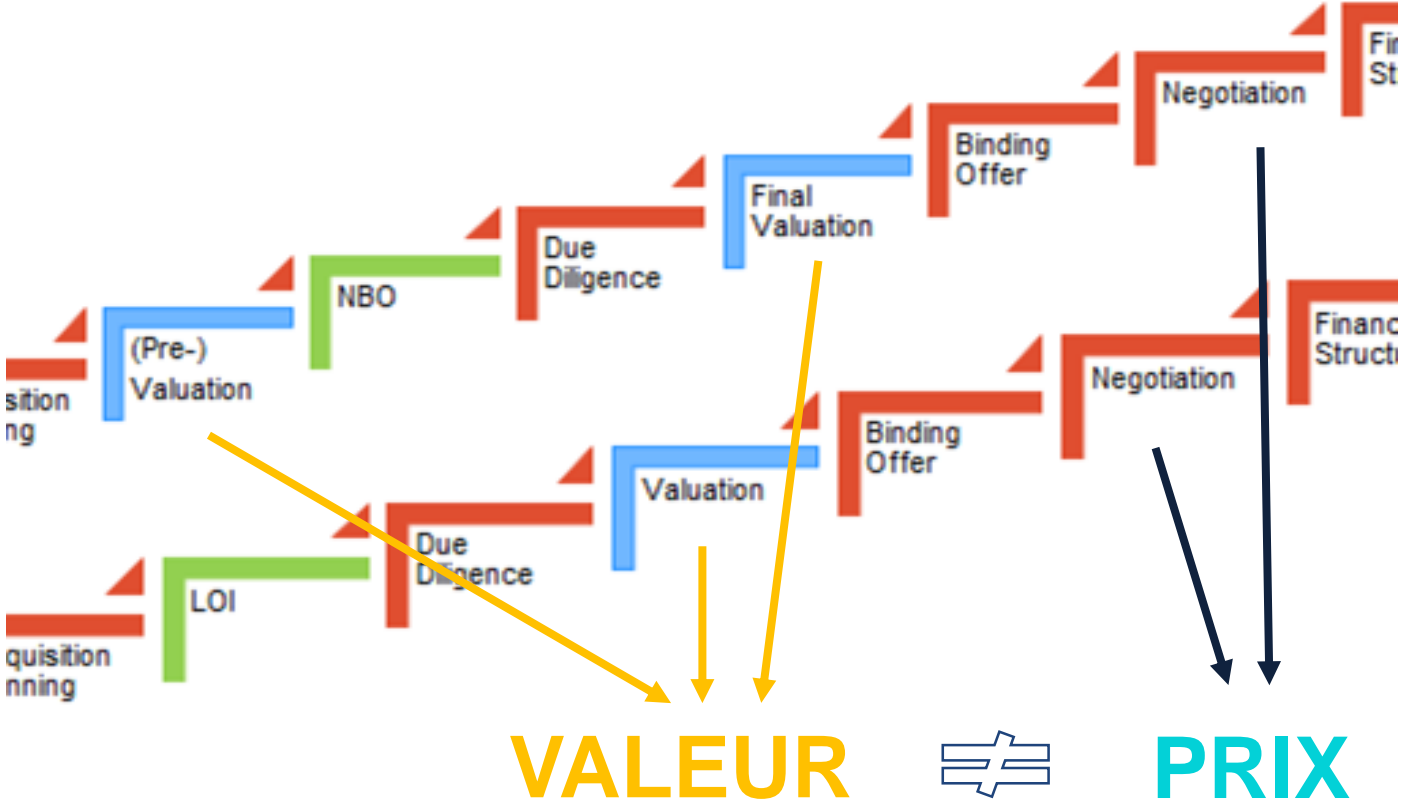
A few standard techniques, lots of industry specifics

The goal of the valuation step is to determine the value of the Target. In terms of approach we typically apply a combination of standard methods, including the following ones:

- The **discounted cash flow** method, which will be based on financial projections to be provided by the management. Future forecasted operations and market liquidity are defining the value.
- The **comparable multiples** method, as well as publicly available market multiples from listed comparable stock exchanges. Value is defined by an observed market multiple standard times the current EBITDA.
- The **adjusted net asset value** method, which will be based on the market value of assets and liabilities. The value is based on what has been accumulated so far without consideration of the future potential of the target.
- Many industry specific complementary or mixed methods do exist, eg. for automotive (Net asset + fixed value x vehicle sold), cash-pooling activities (statistical distribution of the financial gains generated by the cash pool) or management companies (% of AUM).

Valuation (2)

Price is not equal Value

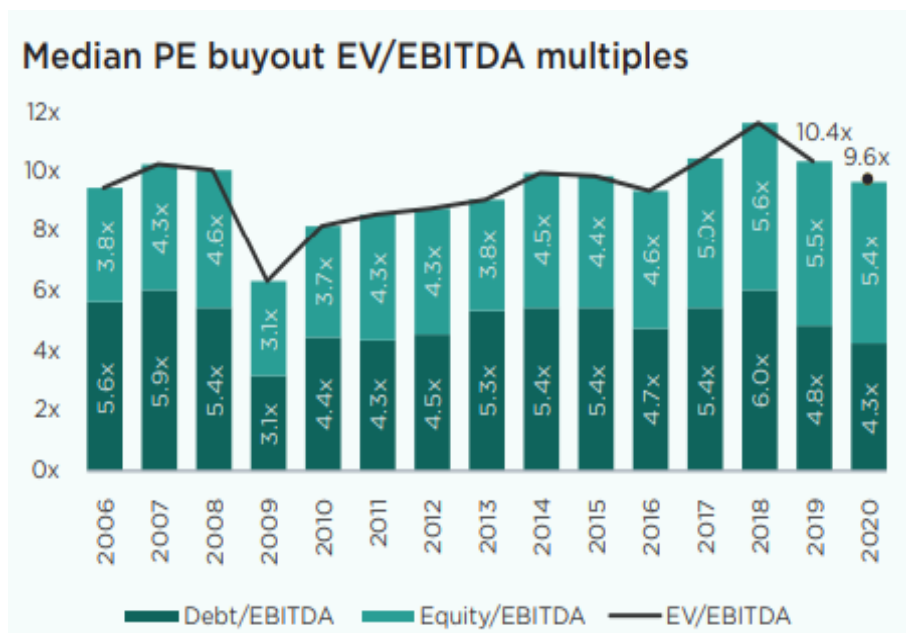


Valuation (3)



COVID-19 will impact multiples but is no GFC

- The impact of COVID-19 on valuations is already materialising:
 - Some sectors benefit, e.g. Technology, Pharmaceuticals
 - Some will need more time to recover e.g. Transportation, Hospitality, Retail
- COVID-19 is no GFC
 - Long-lasting effects depend on what the new normal will be in the short and medium terms
 - Cash available & committed is at all times high with USD 348.5bn raised as of 3Q2020
 - enough dry powder in the markets for assets to change glove-wearing hands
 - Limited snowball effects and ultimately risk of systematic defaults

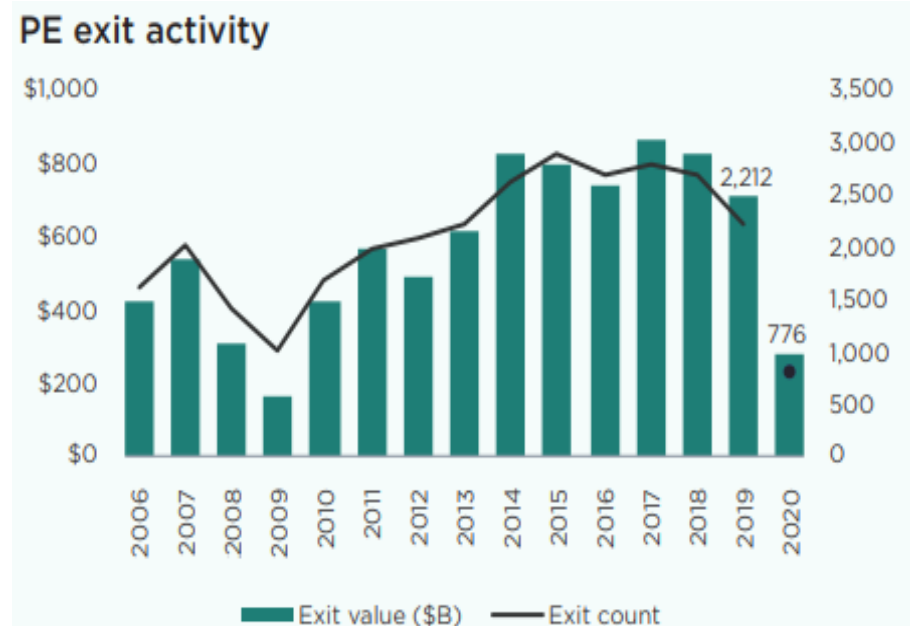


Valuation (4)

COVID-19 will impact multiples but is no GFC

- Short-time impact
 - Deal cancellations due to uncertainty and valuation changes
 - estimated total of circa USD 100bn worth of transaction as of 2Q2020
 - LVMH's USD 16bn engagement break off with Tiffany; a move, or lack thereof, copied in the US by Xerox's USD 37.3bn cancellation on HP; and SoftBank cancelled its USD 26bn follow-on investment in WeWork.

- Medium & Long-term impact
 - The lack of transactions as well as special situations will make like-to-like comparisons even more difficult and multiples will likely be impacted downwards. Cumulated with higher risk premia and the input of new potential threats, valuations are likely to trend downwards.
 - The iterative process may deepen the impact on some sectors if recovery remains uncertain too long.
 - No distressed exits, no run for cash in the PE segment



Le deal – En avant ! (négociation et mise en œuvre)

The Deal – Let's go (negotiation & implementation)





Conclusion / Closing *statement*



Visitez notre page consacrée aux solutions Arendt Covid-19 et installez l'application Arendt Insights pour trouver les questions les plus fréquemment posées et nos réponses :



<http://bit.ly/ArendtCovid19Solutions>



<https://apps.apple.com/lu/app/arendt-insights/id1506580191>



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