

Investing in the Baltic states from an M&A perspective

June 2015

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Introduction

Agenda for today

1. Introduction speaker and M&A International
2. Key trends in the current global M&A market
 - a. Liquidity is flooding the market
 - b. Private Equity is ruling the world again
 - c. Cross Border deals are on the rise
3. Are acquisitions adding value ?
4. Do foreign investors to pay a premium over domestic investors?
 - a. Example of research in Dutch market (small economy)
 - b. What about the Baltics, similar patterns?
 - c. Outlook ...
5. Key lessons learned from acquisitive buyers

Introduction speaker and M&A International

General

- Founded in 1985, M&A International is the world's longest-standing alliance focusing on mid-market M&A transactions
- M&A International offers the unparalleled resources of over 650 professionals in 46 M&A advisory and investment banking firms operating in 40 countries
- All member firms are closely linked in a global alliance to advise clients on acquisitions, divestitures, funding and joint ventures
- In the last five years more than 1,400 transactions have been closed. The alliance is currently working on approximately 550 active deals
- Strong support staff which is located in Barcelona, Spain



Global reach and local insight

Global execution power

- Resources and capabilities of a multinational organisation and the flexibility and cultural fit of a local player
- Entrepreneurial spirit and problem-solving mentality

Global industry knowledge

- Assigned industry specialists around the globe, working together in international project teams
- Global sharing of expertise and information through joint intranet, common databases, global conferences, client events, internal education programmes and employee exchange programs

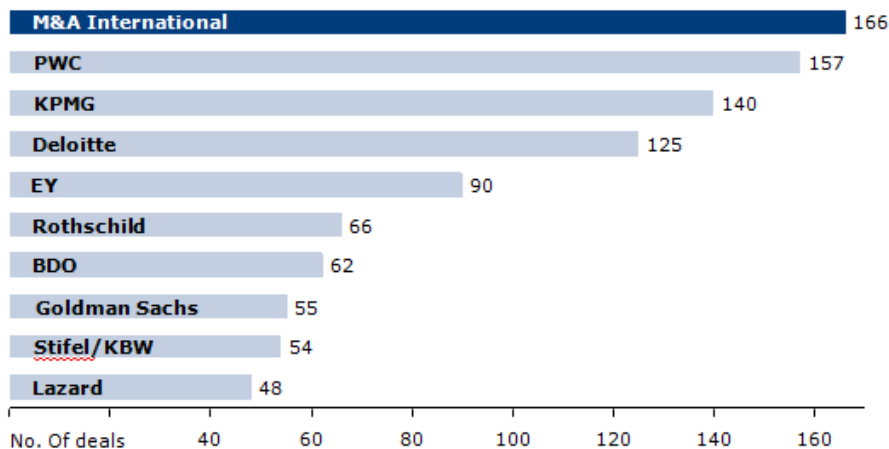
Global industry contacts

- Transaction experience across all market sectors and regions
- Access to industry leaders throughout the world via local contacts

Global coverage



Global mid-market in 2014 by volume¹



Key trends in the global M&A Market

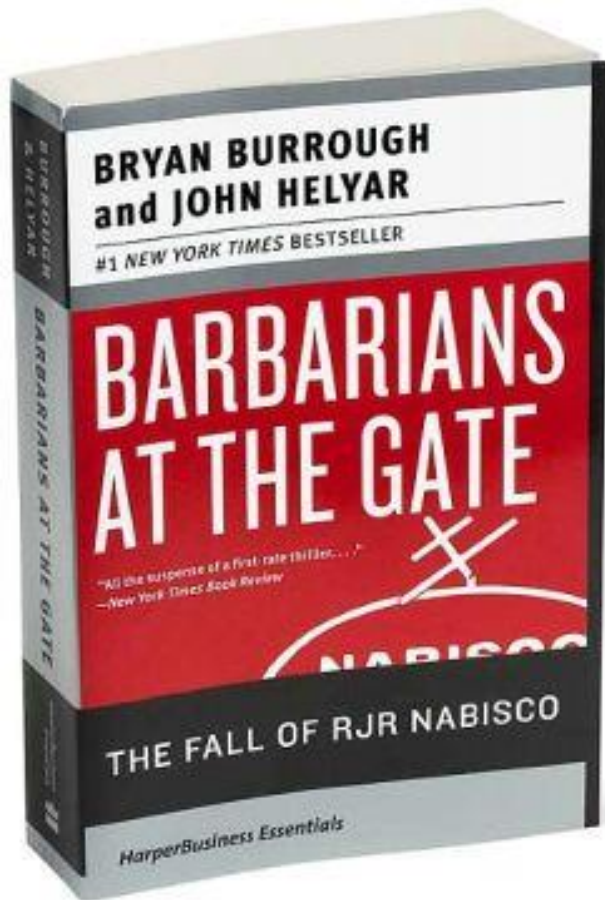


A string of mega deals drives global M&A recovery in first quarter

Latvian Finance Ministry projects
2.1% growth in 2015

Loan terms eased in
search for yield

Key trends: History repeats, nobody is safe



Time: 1988 !

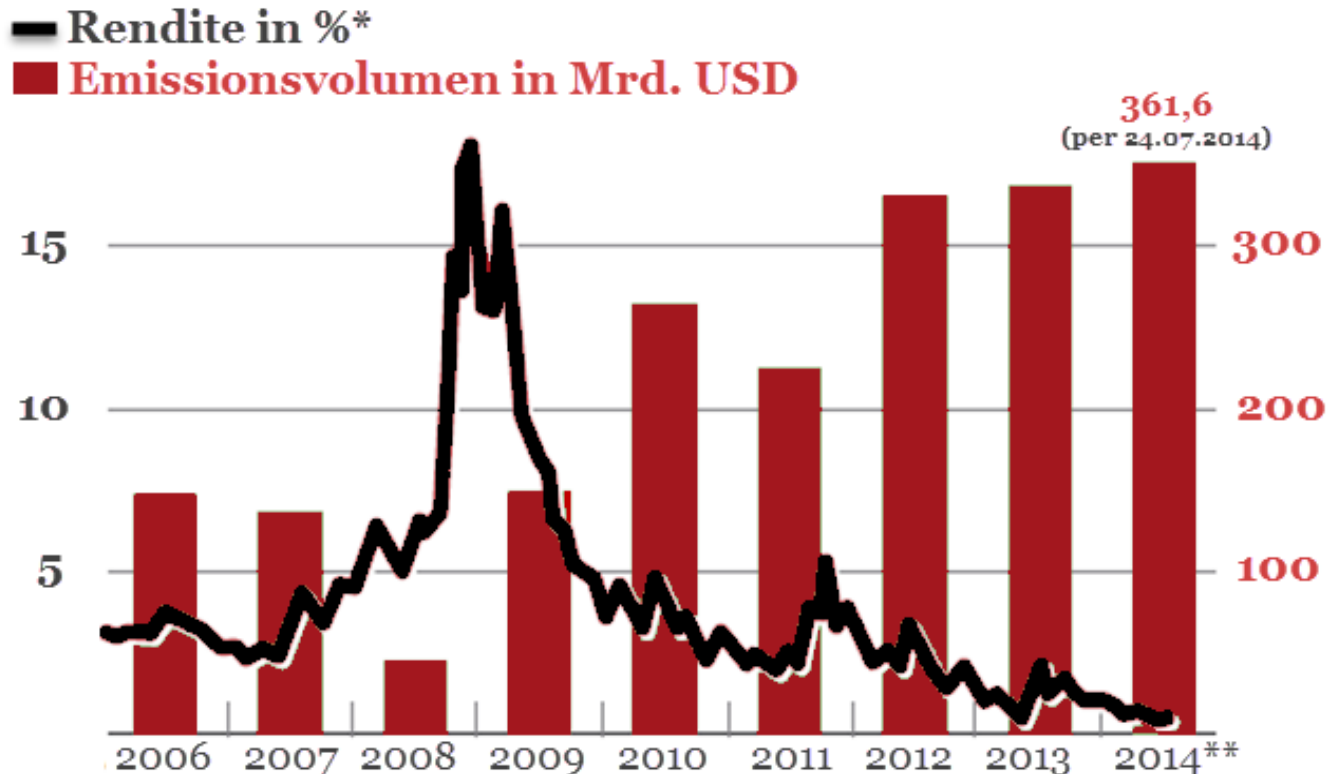
Type: Private Equity deal KKR

Largest Leveraged Buy Out ever

Funded with "Junk Bonds"

Key trends "Money for nothing"

US-Junk-Bonds



* US High Yield Master II (Anleiheindex der Bank of America Merrill Lynch)

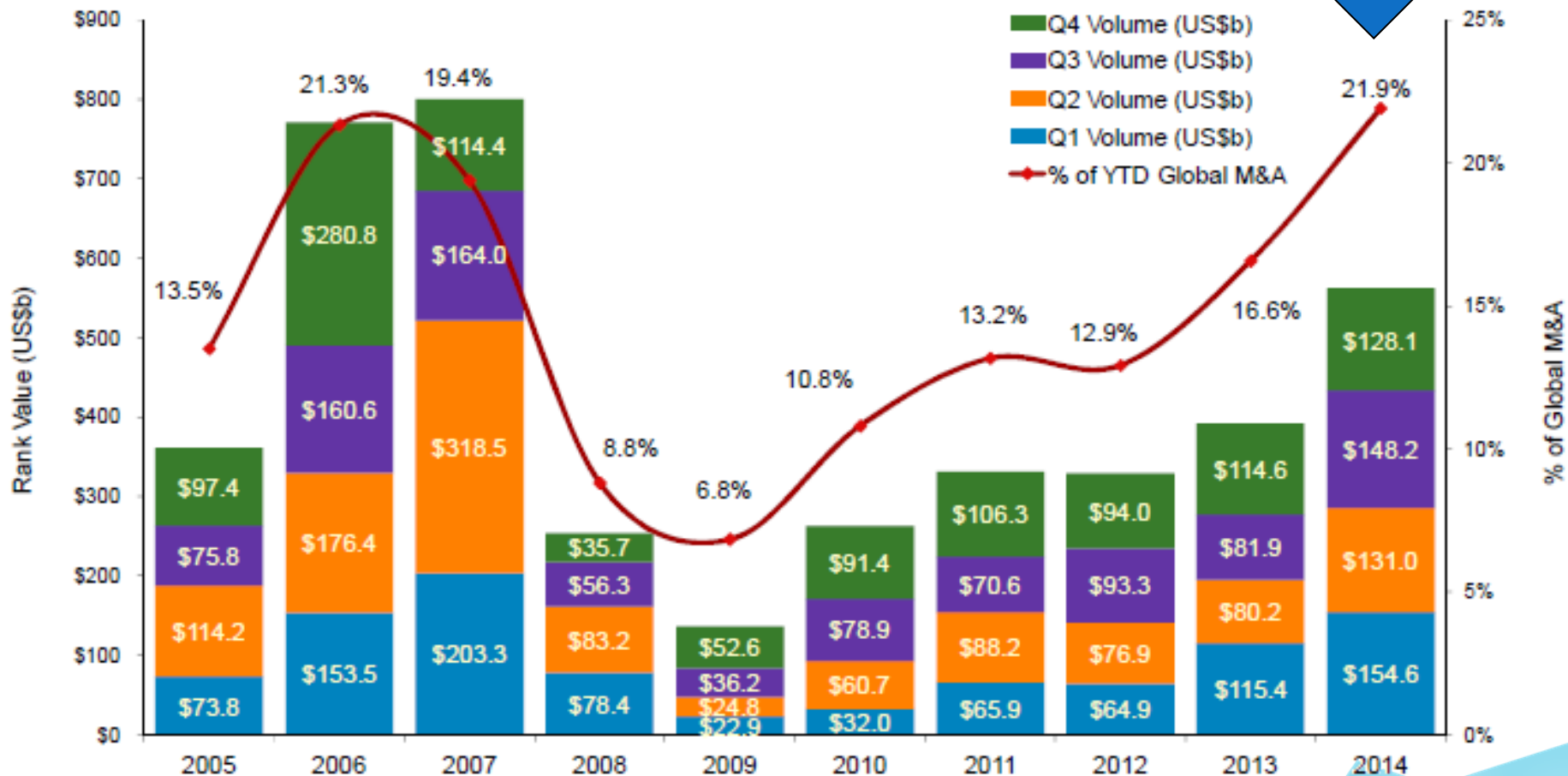
** Prognose

Quelle: Bank of Amerika Merrill Lynch, Thompson Reuters

Key trends: Private Equity is back

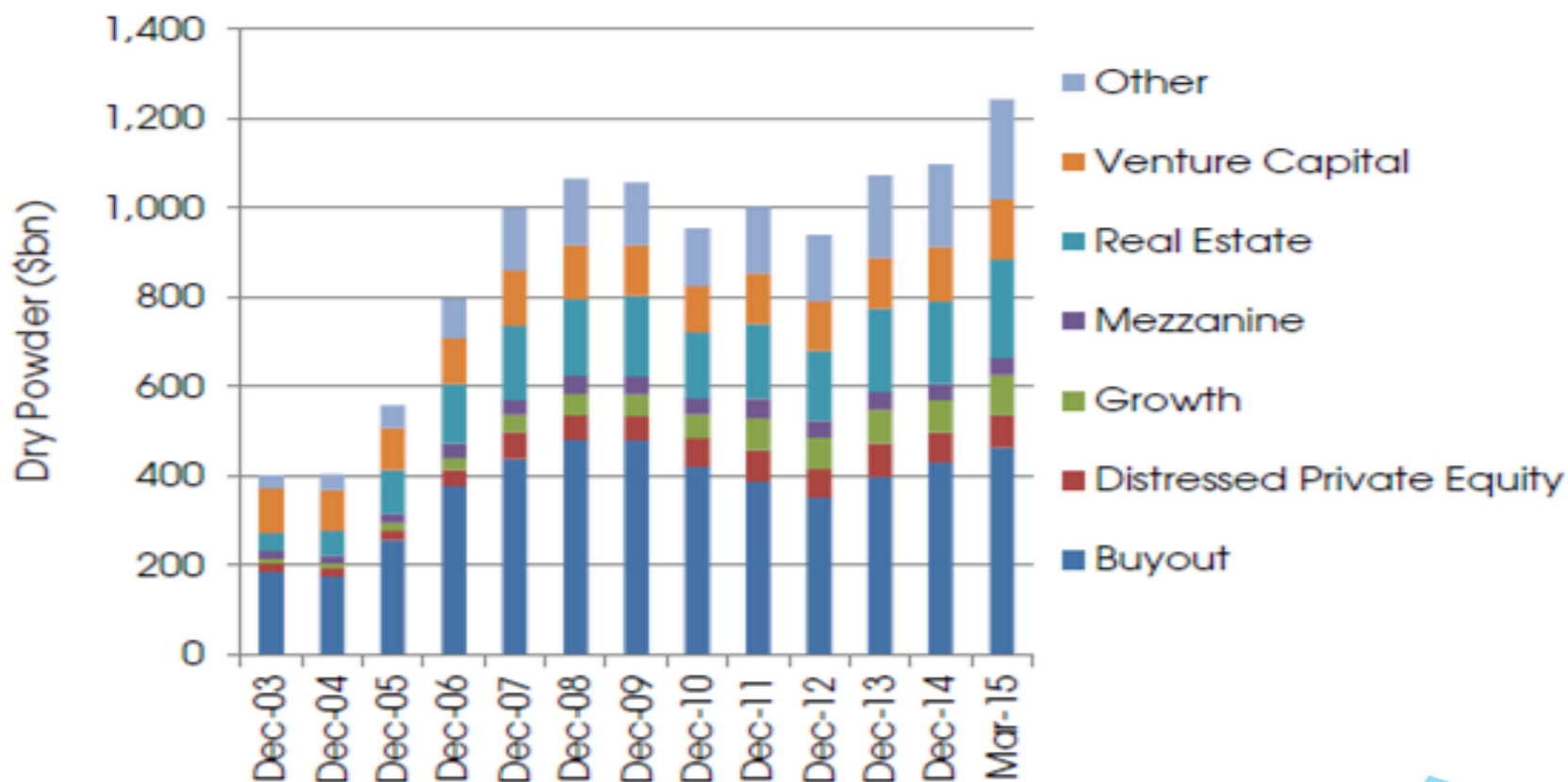


Worldwide Announced Buyside Financial Sponsor Activity



Key trends: Private Equity ... more is coming

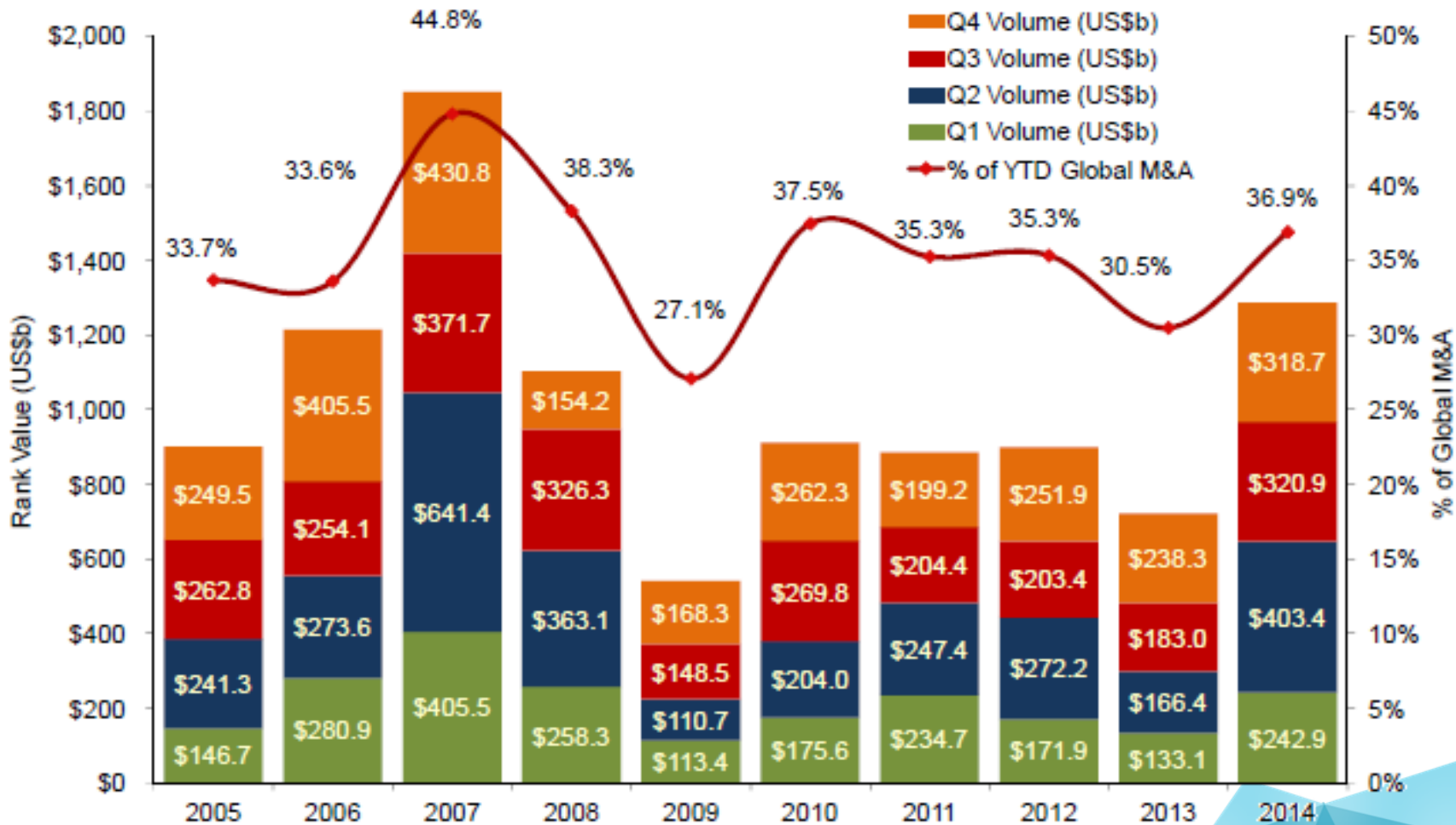
Fig. 1: Private Equity Dry Powder by Fund Type, December 2003 - March 2015



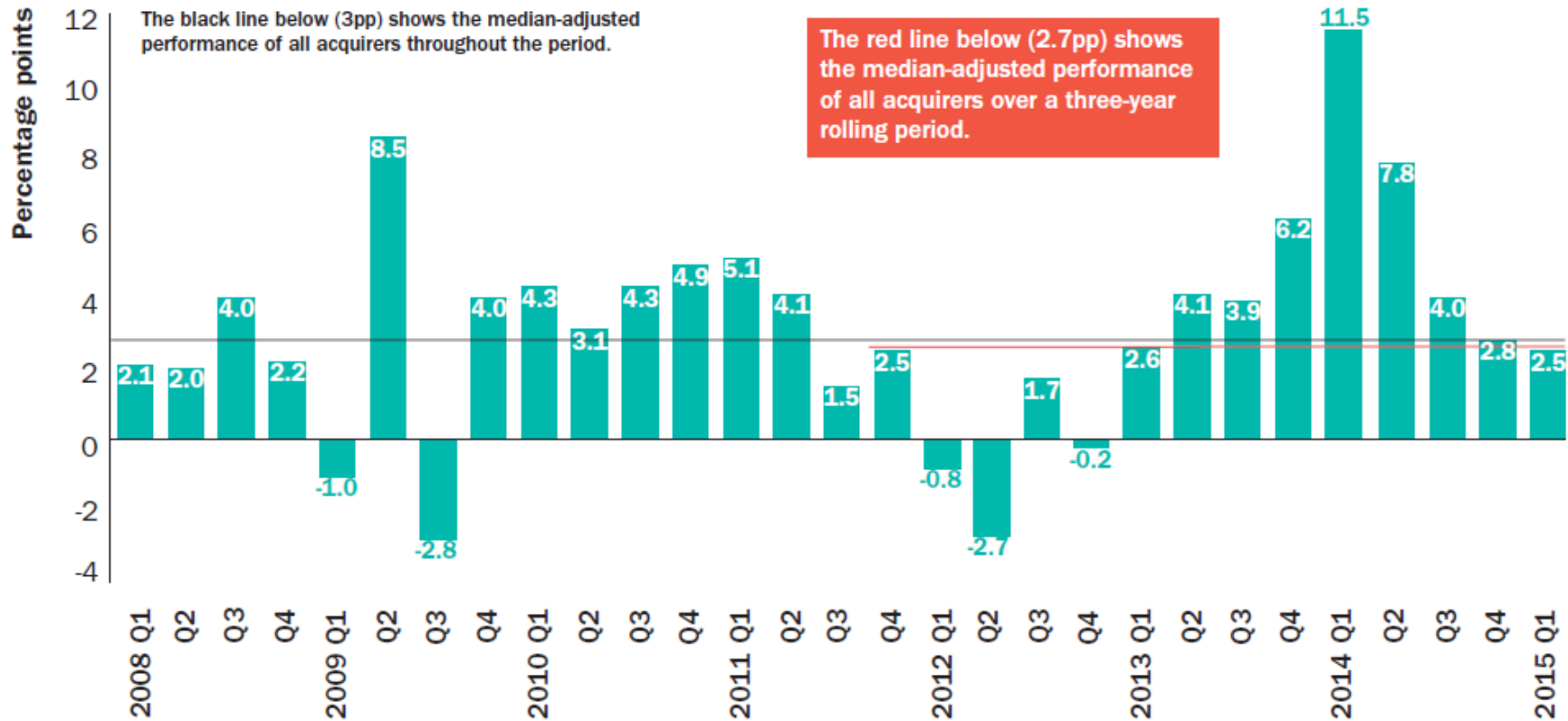
Source: Preqin Performance Analyst

Key trends: Cross Border deals on the rise

Worldwide Cross Border Volume

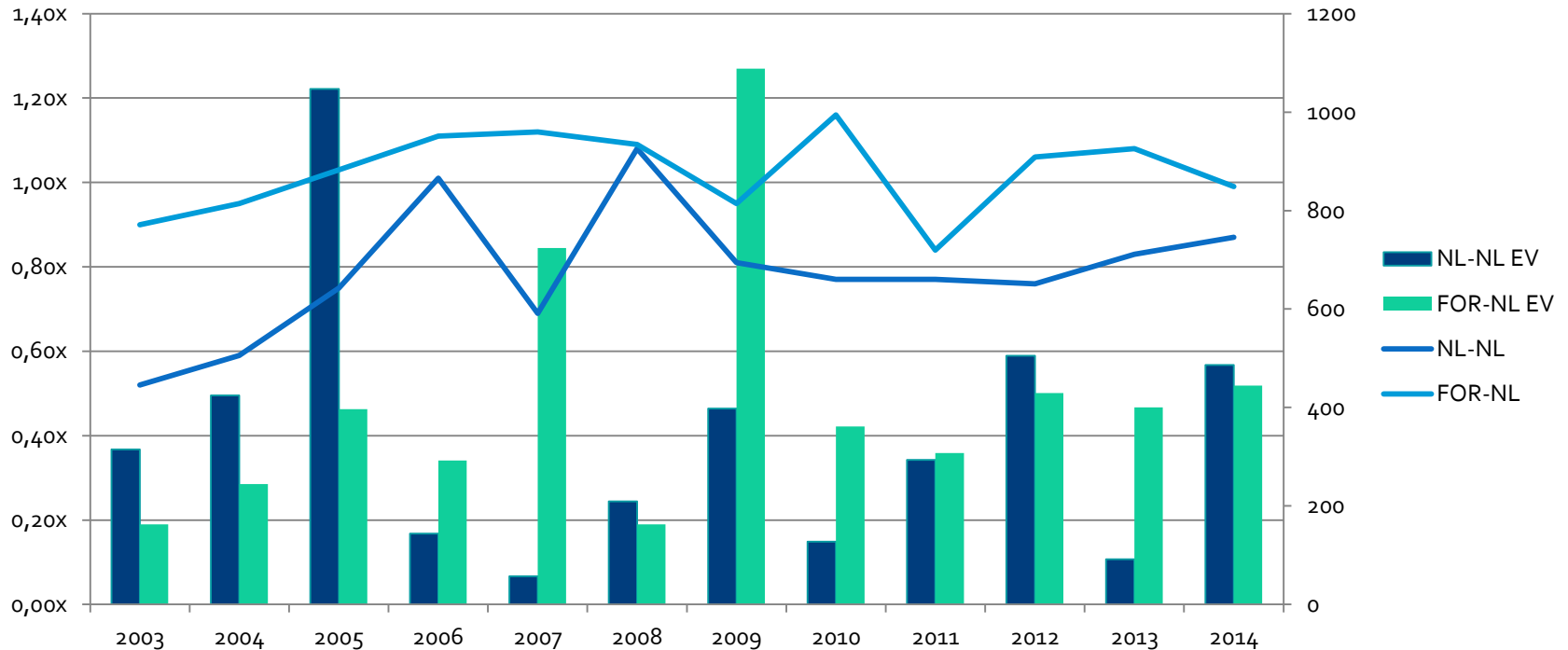


Do acquisitions add any value?



NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise.

Foreign Investors pay a premium in Holland



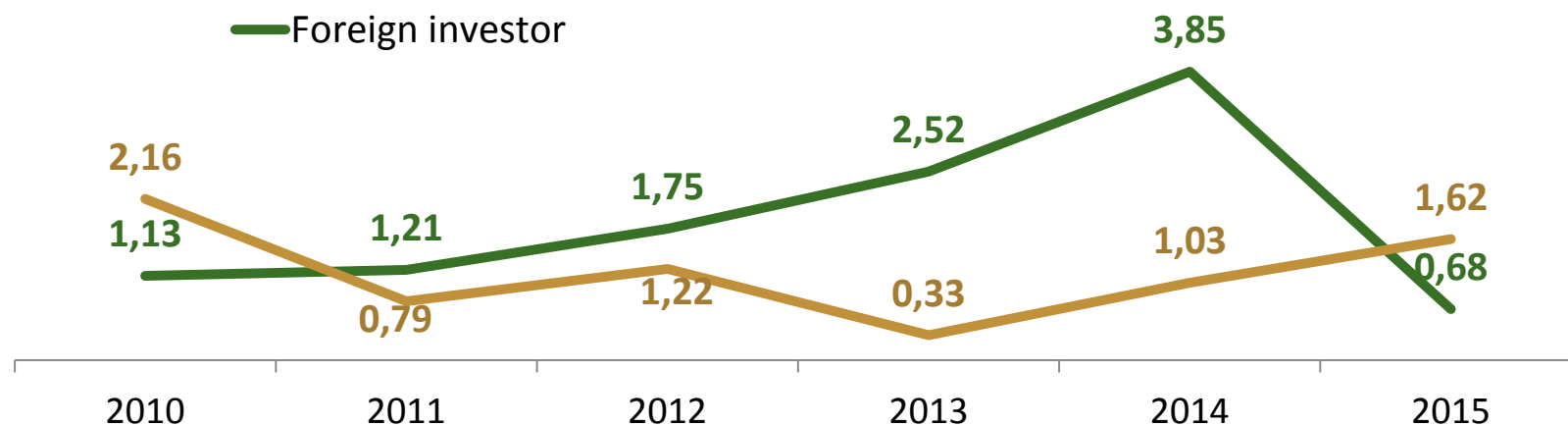
Non quoted deals, statistically corrected for outliers, based on over 400 deals over a 10 year period



Average Premium that Foreign Investors are paying is 27%

Foreign Investors pay a premium in Baltics too

Median EV/Revenue



- **85 deals** included in the sample in **6 years**
- **52%** were **cross-border**
- Foreign investors seem to pay **33% more**
- From 14 deals in total, only **4 were domestic transactions** in 2010
- Financial crisis. **In 2009**, GDP in all of the Baltic states **fell by 15%** approximately compared to **4.4%** in the EU

Examples of (premium) Baltic deals



Acquires



2014



Acquires



2014



Acquires



2013



Knowledge & Solutions in Port Business

Acquires



2013



Acquires



2011



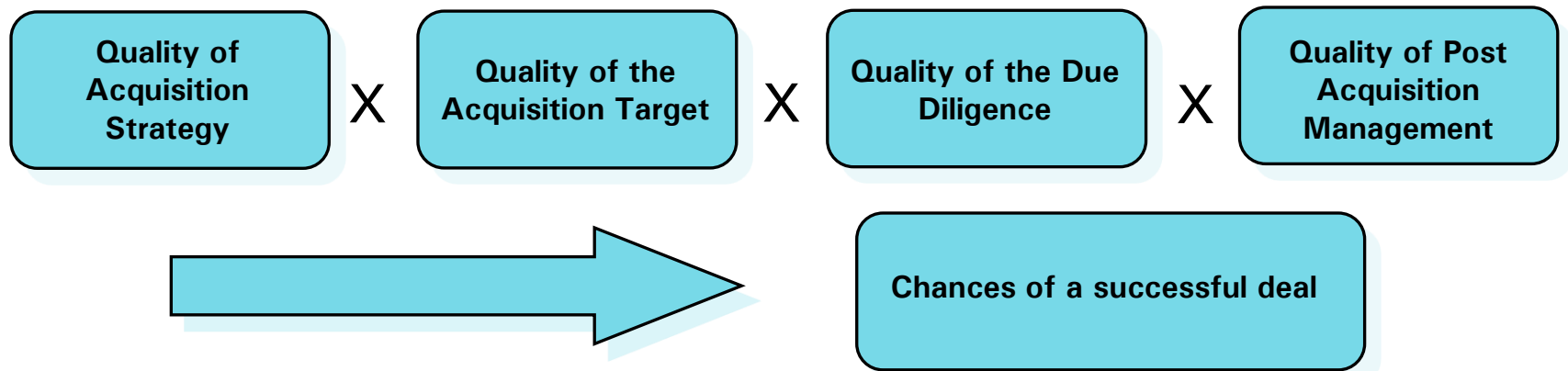
Acquires



2010

Key lessons learned from successful acquirers

- DSM (11 billion market cap) analysis based on 50 acquisitions



- McKinsey analysis on the most successful post acquisition strategies:
- Communicate:
 - People (what is the impact for the employees)
 - Power (who will be the Boss)
 - Purpose (Why is the deal done and what's)
- Implement:
 - 100 day post merger integration plan
 - Measure progress continuously

Thank you!



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Chairman, M&A International Inc.

“ Our 600-strong mergers and acquisitions team around the world secures great results for our clients, who receive a first-class service from senior professionals and the personal attention that only local teams of experienced advisors can provide. At M&A International Inc., we adhere to the highest standards of quality and integrity combined with a passion to succeed. ”