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ALLIANCE OF INTERNATIONAL CORPORATE ADVISORS

Foreword

Data in April showed economic activity **remained resilient** in the face of mounting headwinds. Equity markets continued their **rally** and have now **broadly recovered** from the tumult in March. While near-term recessionary risk seems to have receded somewhat, the closure of **another US financial institution** at the end of April highlights that the cumulative impact of central bank tightening has still **not been fully felt** by developed economies.

This positive economic momentum supported **risk assets** despite further stress in the banking sector. Developed market equities **rose by 1.8%** over the month, with value stocks modestly outperforming growth counterparts.

Furthermore, it was our pleasure to act as financial advisor on behalf of **Atlas Reizen**. The travel agency, with a strong focus on personal touch, has 2 offices in Waregem and Antwerp.

Atlas Reizen was acquired by the **le Hodey family** (IPM) who already owns the travel agency Continents Insolites. This acquisition brings together two of Belgium's finest tailor-made travel companies, with almost 100 years of combined experience.

We hope you enjoy this reading.

Yours sincerely,

The VDP team

SECTIONS

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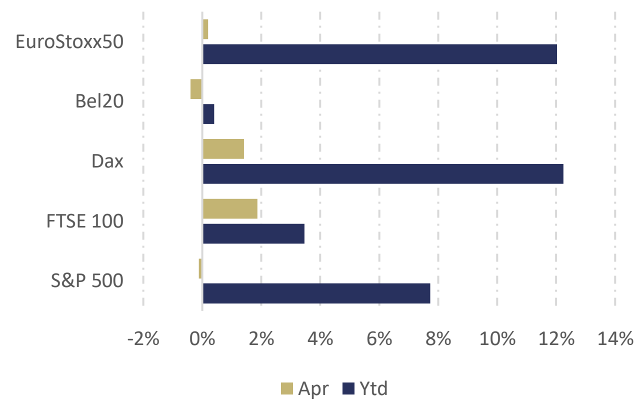
Overview Macroeconomic situation

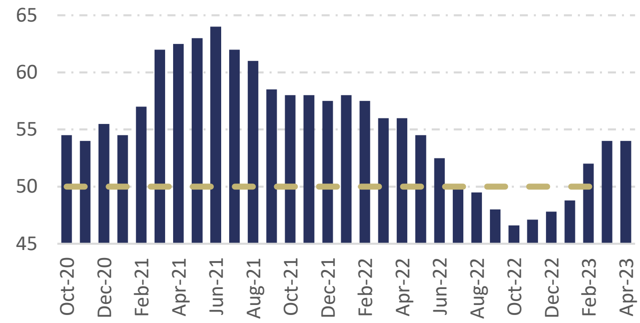
Eurozone data generally **surprised to the upside** in April though manufacturing remained a weak spot and the divergence between the manufacturing and service sectors further expanded. The manufacturing PMI printed at 45.5, implying a tenth consecutive month of contraction, while the **services index jumped by 1.6pts** to 56.6, pushing the composite index to 54.4. The divergence, which is the widest in over a decade, looks set to continue as forward-looking indicators in the surveys suggested **ongoing manufacturing weakness and service strength** in the months ahead. This services strength was also enough to keep eurozone GDP growth positive in Q1, with the economy growing 0.1% quarter on quarter.

Chart 1: Performance main indices



Eurozone **headline inflation fell sharply** as base effects in energy started to drag. The consumer price index fell from 8.5% year on year in March to 6.9% in April. **Core inflation, however, increased by 0.1 percentage points** to 5.7% year on year. This, combined with upside surprises on economic growth and continued wage pressures, means that markets think the **European Central Bank has more to do**.

Chart 2: European composite PMI index



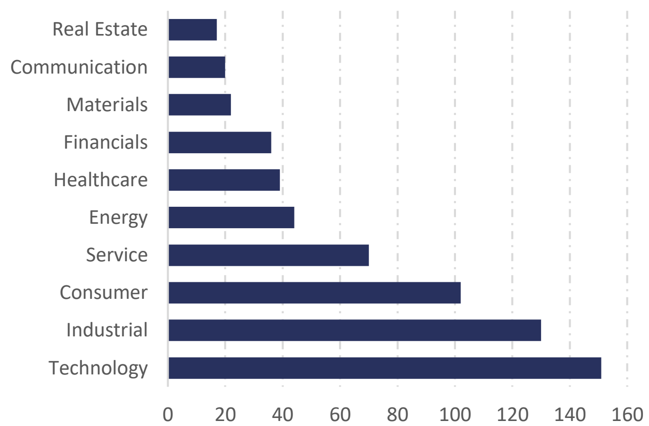
Source: MergerMarket

This more **hawkish outlook** pushed European government bond yields higher, and European government bonds delivered returns of -0.1% over the month. In equities, the stronger economic sentiment and a value tilt helped MSCI Europe ex-UK to deliver 2.3% over the month, making it one of the **strongest performing major equity markets**.

European M&A activity

An increasingly tightening central bank policy could further be an issue for dealmakers in the coming months as rising **interest rates triggers a re-pricing** of assets across the market. The valuation gaps between buyers and sellers can become an important obstacle in future dealmaking while the market **gradually shifts from a sellers' to a buyers' market**.

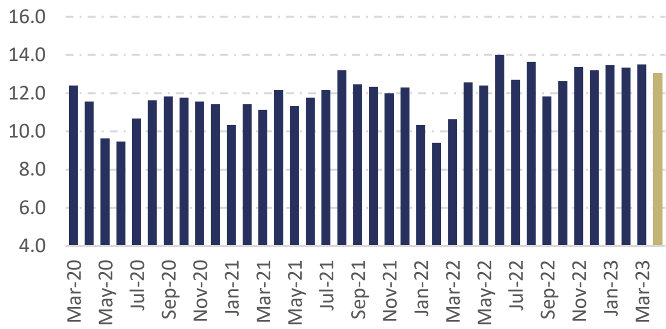
Chart 3: # of EU transactions per sector (Apr.)



Source: MergerMarket

In some cases, valuations may have already reflect increased cost of capital due to rising interest rates, mirrored by **sluggish activity in some sectors**. By contrast, in some sectors, such as healthcare or tech and software-enabled services, valuations have held up quite well given continued firepower of investors, the **overall scarcity value of assets across industries** and the **overall strength** of these sectors.

Chart 4: Multiple (EV/EBITDA) EU M&A (3m moving avg)

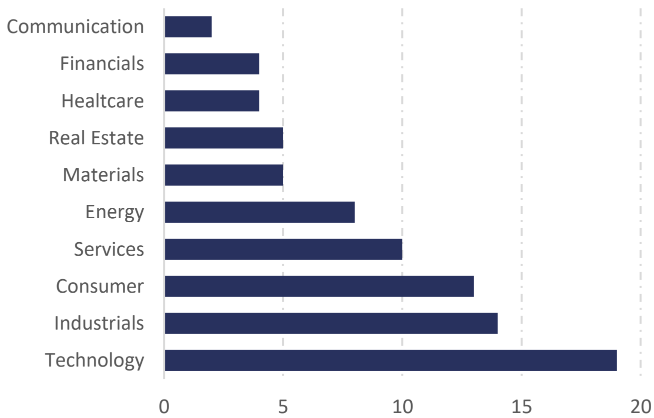


Source: MergerMarket

Belgian M&A review

During the last 3 months, we've noticed a **slight weakening in Belgian M&A activity** with **84 deal** announcements for a total deal value of >€3.0bn. **PEs are still active** with 29 (35%) transactions, while **cross-border investors** represented the bulk of the deal flow – 62 (67%) deals. As with the overall European trend, **consumer and technology** were the most active sectors (39% of deals) and are expected to remain a large contributor to the Belgian M&A landscape.

Chart 5: # of Belgian transactions per sector (L3M)



Source: MergerMarket

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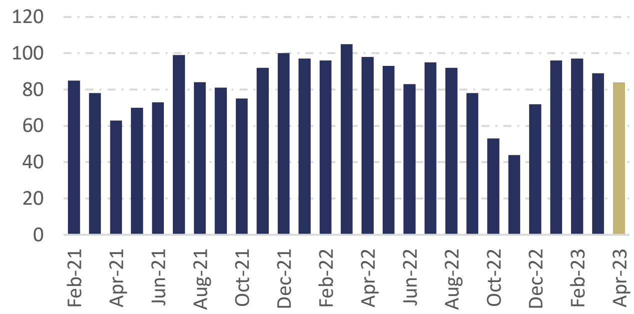
Especially the **technology sector is showing no signs of letting up**. It continues to remain the **most active sector** and will likely produce a steady stream of deals in the near future. In general, we remain optimistic on the level of M&A activity, which should be further supported by the recovery of economic indicators.

Chart 6: Evolution of # of transactions (L3M)



Source: MergerMarket

Overview of recent VDP transactions