Deal opportunities

M&A Activity

2015 M&A Momentum
According to Reuters, during 2015, a record of $4.7 trillion of deals was recorded globally; the strongest 12-month period since 1980

‘Mega Deals’ (+$5 bln) accounted for 51% of overall M&A value

Cross-border M&A accounted for 33% of worldwide deal making

Top 5 Global Deals of 2015

1. HEALTHCARE
   Pfizer Inc & Allergan PLC ($191.5 bln)

2. CONSUMER STAPLES
   Anheuser-Busch Inbev & SAB Miller PLC ($120.8 bln)

3. ENERGY & POWER
   Royal Dutch Shell PLC & BG Group PLC ($81 bln)

4. MEDIA & ENTERTAINMENT
   Charter Communications Inc & Time Warner Cable Inc ($78.4 bln)

5. MATERIALS
   The Dow Chemical Co & DuPont ($68.4 bln)

Cross-border M&A accounted for 33% of worldwide deal making

2016Q1 M&A Activity

1. Telecommunication
   Cyprus: GO & Cablenuet ($12 mln)

2. Telecommunication
   UK: BT Group & EE ($12.5 bln)

3. Hypermarkets *
   Greece: Sklavenitis & Marinopoulos SA (Estimated €600 mln)

4. Healthcare
   US: McKesson Corp, Vantage Oncology LLC & Biologics Inc ($1.2 bln)

5. Aviation (Expected)
   US: Honeywell International Inc & United Technologies Corp (estimated $90-$100 bln)

* Carrefour Cyprus has been a member of Marinopoulos SA, exclusive licensee of the Carrefour trade name in Greece, Cyprus and the Balkans, for the past 10 years.

Upcoming M&A Events

14-Apr: M&A Executive Club 2016, Le Meurice, Paris
21-Apr: CEE M&A and Capita Market Forum, Palais Ferstel, Vienna
16-May: Middle Eastern M&A and Private Equity Forum 2016, Jumeirah Emirates Towers, Dubai
24-May: Spanish M&A and Private Equity Forum 2016, Villa Magna, Madrid

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Deal opportunities

KPMG Mandates

For the investment opportunities presented below, KPMG’s Deal Advisory is engaged to assist its Clients to identify and approach potential investors. Our role as trusted advisors, is to promote these opportunities and manage all aspects of the sale process, providing our Clients the necessary support for concluding an agreement in connection to the raising of capital/finance.

Up to € 5 million

- **A.1 Early stage Construction Toy Manufacturer.** An internationally award winning and innovative company based in Cyprus, producing educational construction toys with sales in more than 20 countries is looking for expansion capital. **Cyprus**

- **A.2 Early stage Document Management Services ("DMS").** Working capital being sought for a state of the art facility built on a Company owned plot, incorporating the latest technology and adopting strict security plans/procedures relating to the DMS. **Cyprus**

- **A.3 Start-up Medical Services.** A start-up company that has developed and patented a food supplement which slows down the progression of multiple sclerosis. Phase II trial has been completed and funding is sought for further trials, marketing and expansion of the business. **Cyprus**

- **A.20 Start-up Agriculture.** A company looking for investors that will participate in the funding of its project development, which relates to the development of a pioneering agricultural greenhouse project using an advanced technological method in the area of hydroponic/aeroponic systems along with a packaging plant in Cyprus. **Cyprus**

- **A.22 Early stage Technology.** A company, that has developed a web and mobile product, aiming to assist the way business professionals share warm leads, allowing a quick access to referrals and introductions between colleagues and close contacts, is seeking equity finance of €1 million, to be used towards building its business development team and expanding sales. **Cyprus**

€ 5 - 50 million

- **A.13 Established Power Generation.** An independent power production company operating energy wind farms which plans to install and operate new wind power plants, is seeking bond financing. **Cyprus**

- **A.25 Start-up Corporate Social Responsibility.** The shareholders of the Company are seeking finance to fund the expansion of its corporate social responsibility consultancy business in various countries, to set up an Asset Management Company and develop an educational programme relating to corporate social responsibility. **International**

- **A.26 Early stage Building and Construction.** An integrated luxury resort development in Larnaca, which when fully completed will include an 18-hole golf course with full practice facilities, a clubhouse and 320 plots for the development of private villas and 6 high density plots suitable for the development of 188 Resort Village Residences. **Cyprus**

More than € 50 million

- **A.8 Start-up Biofuel Industry.** The opportunity relates to the development of a plantation (proposed to be developed in the Arab Republic of Egypt) on 25,000 acres of land with a patented fast-growing type of tree. The project’s main objective will be the production and trade of wood pellets, through the biomass derived, from the trees. **Egypt**

Notably, investment opportunities are potentially eligible for granting the Cypriot citizenship by investment.
KPMG seeks to add value in any M&A transaction, either acting as a financial advisor on the Sell Side or on the Buy Side. Indicative services we may offer include:

— Preparation of an Investor Package (Teaser, Information Memorandum)
— Preparation of a Valuation
— Identify and approach potential acquirers/target companies
— Due Diligence and/or preparation of a Virtual Data Room
— Assistance in negotiations, drafting Sale and Purchase Agreement

The following prospective opportunities are known within the local market. If you identify interesting deals, please contact us for further information.

### Prospective opportunities

| A.4 Established | Retail | The Company operates in the retail clothing sector. Owners are planning to exit from the Company and are seeking for investors/buyers for the sale of the business. Cyprus |
| A.7 Established | Healthcare services | An opportunity to invest in bonds issued by private company registered in the Republic of Cyprus, which owns a state of the art private hospital. Cyprus |
| A.11 Established | Food Production & Distribution | Equity capital being sought for an award winning conventional and organic olive oil producer. Cyprus |
| A.17 Early stage | Golf Resort | An integrated golf resort which includes a signature golf course and a club house is seeking equity investors for further expansion including luxury residences, bars etc. Cyprus |
| A.23 Early stage | Agriculture – dairy | A small farm with a niche “halloumi” production unit, is looking for equity capital. Cyprus |
| A.24 Start-up | Building and Construction | A 5-star Spa Hotel, offering a mix of complementary attractions such as an entertainment center and swimming pools, is looking for development capital. Cyprus |
| A.27 Early stage | Food processing | The Company is seeking potential investors wishing to get involved in the niche market of ready-made frozen snail meals from traditional recipes. Cyprus |
| A.28 Established | Factory/Warehouse | Owner seeks to lease a fully operating factory of a total area above 1,000 square meters. Property also includes office and showroom space. Cyprus |
| A.29 Established | Building and Construction | Owners seeking to sell a 3-star beach side hotel with capacity over 150 rooms and amenities including a swimming pool, restaurant, tennis court and gym. Cyprus |
| A.30 Established | Building and Construction | Owners seeking to sell a 4-star hotel situated in the city centre, with capacity over 150 rooms and amenities including swimming pools, restaurant and beach bar. Cyprus |
| A.31 Established | Building and Construction | Owners seeking to sell a 5-star beach side hotel with capacity above 100 rooms and amenities consisting but not limited to swimming pools, restaurants, tennis court and gym. Cyprus |
After the 2008 crisis, traditional intermediaries have been characterised for the lack of consumer confidence. On the other hand, the fast pace by which the crowd funding platforms are emerging can hardly be dismissed.

Living in an era of open availability and unlimited access to information through the internet, peer-to-peer (“P2P”) lending platforms claim to have arrived in order to exploit the missteps of banks and restore, both investor and consumer, confidence.

**What is this so called ‘Peer-to-Peer Lending?’**

Let us put it down in layman’s terms. Combining traditional banking with technology, P2P platforms allow individuals to lend money to third parties via an online platform. The twist; these are unsecured debt-based transactions between individuals, institutions and businesses.

The rapid growing platform of Lending Club in the US, is a prime example of a Fin-Tech initiative that through innovation is transforming the financing sector. Being the world’s largest P2P platform, Lending Club investors trawl the platform looking for individuals and businesses willing to pay them attractive returns, while P2P platforms use their technology to assess credit risk of borrowers and to settle the contracts.

In only five years, Lending Club itself has grown as the fifth most promising company in the US (in terms of revenue growth), experiencing a growth of 188% between 2012 and 2013. Providing loans for refinancing, credit card payoffs and other more ‘exotic’ loans, Lending Club, as of the end of 2015, was able to issue approximately $16 bln in loans.

The University of Cambridge and the National Endowment for Science, Technology and the Arts (“NESTA”), in partnership with KPMG UK, have released their latest report on the growth of the UK’s P2P lending and alternative finance industry for 2015; and there are some very good news for the market.

In 2015, the UK Alternative Finance market grew to £3.2 bln - an 84% increase compared to the £1.74 bln of 2014. Moreover, 45% of P2P lending platforms reported some institutional lending. £909 mln of P2P loans were issued to consumers whereas, 20,000 SMEs borrowed £1.82 bln, the equivalent of 3.4% of gross national bank SME lending in 2014, and 13.9% of new bank lending to small businesses in 2015.

And while those numbers may pale in comparison to those put on the board by the likes of trillion-dollar banks, there are indications that the pie may keep growing.

**Replacing the expensive middleman**

A study carried by Lend Academy in 2014 showed that P2P lending firms have 425 OPEX points, compared to 695 OPEX points for banks. This can be better translated as P2P platforms being 40% more efficient than an equivalent banking institution, due to lower operating costs.

That’s true since companies, such as Lending Club, do not have any physical assets or additional transaction costs that usually burden traditional banks. According to Renaud Laplanche, the founder of Lending Club, these high cost savings are passed to both borrowers and investors. Lend Academy research also disclosed that Lending Club investors are able to yield approximately 9% higher return for low-risk borrowers when compared to a 5-year US treasury bill.

On the other hand, Lending Club borrowers are able to enjoy approximately 25% lower interest rates when compared to Avant Credit Corp., US.

**Big Data and Enhanced Analytics**

A report by Morgan Stanley illustrated that “While traditional lenders have to follow laundry lists of requirements to vet applicants, marketplace lenders are using proprietary algorithms to make snap judgments. One of the driving factors behind the growth of online lenders is better customer satisfaction due to faster response times, quicker loan approval times and faster funding.”

**What are the market concerns?**

The UK industry’s thinking on risk with the alternative finance market is also interesting. According to NESTA, the biggest risks with the continued growth of the sector are currently thought to be:

- The collapse of one or more well-known platforms, as a result of malpractice
- Cyber security
- Notable increase in default rates
- Fraud involving a high profile campaign, deal or loan

**If you can’t beat them ... Join them!**

A realistic representation of Fin-Tech firms’ potential can be the case of UK’s demutualised building societies. P2P platforms and building societies are considered as cost-effective and specialised in a relative niche-market but inexperienced in diversification or similar strategies, often adopted by traditional intermediaries. A direct competition with a trillion-dollar finance market might compromise their efficiencies and become targets for acquisition, as in the case of demutualised building societies.

In May 2014, Lending Club announced its strategic alliance with Union Bank to provide new products that will be made available to both companies’ customers. In February 2016, J.P. Morgan Chase & Co. agreed to acquire nearly $1 bln worth of personal loans arranged by Lending Club, previously owned by Santander. P2P platforms seem to follow a strategy of co-creation and co-development with banks, thus loosening direct competition with the traditional finance market.
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We advise companies throughout their cycle; start-ups seeking capital, entrepreneurs aiming to grow their business, owners seeking an exit and corporations looking to improve their finance structure, and present to you a number of selected existing and anticipated opportunities.

*We’re KPMG Deal Advisory.*

*We think like an investor.*

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