








Swiss M&A Industry insights

October 2020

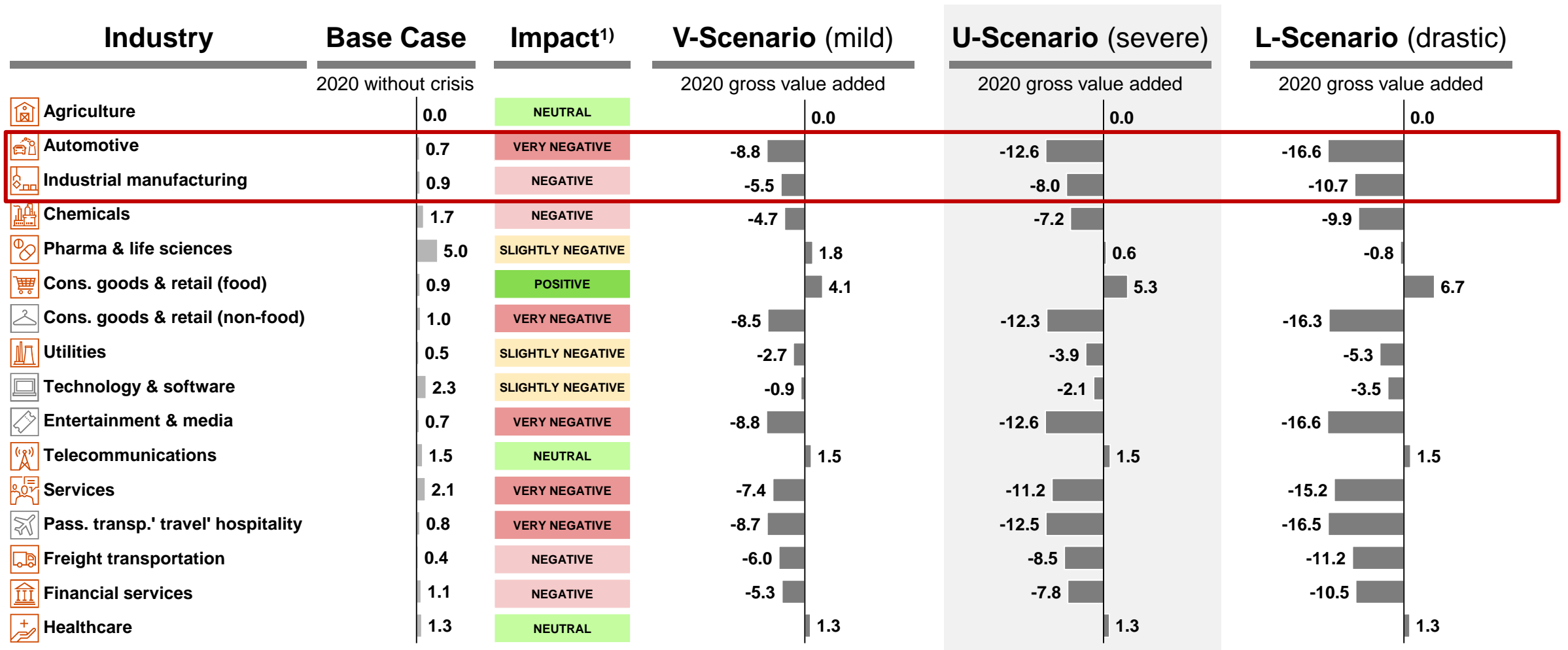


Recently updated economic scenarios are forecasting a stronger global recession in 2020 as compared to June

		AS OF JUNE 15 th 2020											AS OF Oct 09 th 2020					
		Actual	Base (no COVID-19)				V-scenario (mild)			U-scenario (severe)			L-scenario (drastic)			U-scenario (severe)		
		2019	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	
	GDP Growth (%)	1.2	1.0	1.3	1.3	-6.6	6.9	2.0	-8.8	5.0	1.2	-11.2	1.7	1.7	-9.1	5.5	1.2	
EU ¹⁾																		
	GDP Growth (%)	1.3	1.2	1.3	1.4	-4.5	4.9	1.7	-6.5	3.4	1.3	-9.1	1.0	1.1	n/a	n/a	n/a	
Austria																		
	GDP Growth (%)	1.3	1.2	1.3	1.4	-6.0	6.5	2.1	-8.8	5.0	1.2	-11.4	1.9	1.9	-11.4	6.0	1.3	
France																		
	GDP Growth (%)	0.5	0.9	1.6	1.6	-6.4	8.0	2.1	-8.7	6.0	1.3	-10.9	2.0	2.0	-7.0	5.9	1.3	
Germany																		
	GDP Growth (%)	0.6	0.5	0.6	0.6	-8.2	6.1	1.3	-9.8	4.2	0.3	-13.5	0.5	0.4	-10.1	5.9	0.5	
Italy																		
	GDP Growth (%)	1.0	1.6	1.6	1.6	-4.8	4.5	1.7	-7.3	4.1	1.5	-10.0	1.4	1.4	n/a	n/a	n/a	
Switzerland																		
	GDP Growth (%)	2.0	2.0	1.9	1.8	-6.4	6.7	2.1	-7.9	4.0	1.2	-10.9	1.6	1.6	-8.5	6.1	1.1	
USA																		

Further Parameters: Unemployment rate' Consumer Price Index' USD Exchange Rate' Long-Term Bond Yields' National Stock Index' Oil Price' Gold Price

Regardless the expected economic scenario, automotive and industrial manufacturing are negatively impacted



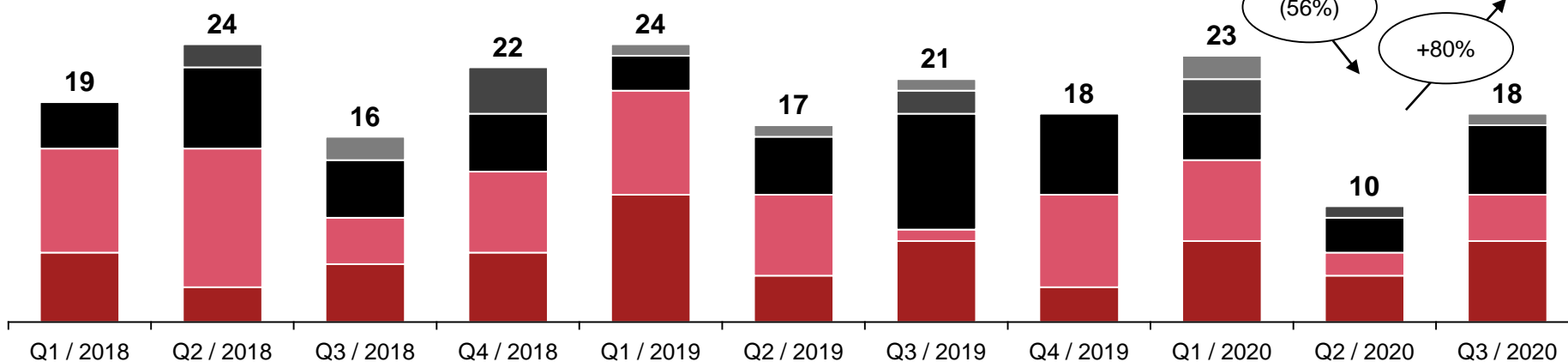
Growth of Gross Value Added

1) Impact Scale: Positive = More output/ growth than w/o COVID-19 | Neutral: Normal 2020 growth; no COVID-19 impact | (Slightly/ Very) Negative: (Much) less output than w/o COVID-19

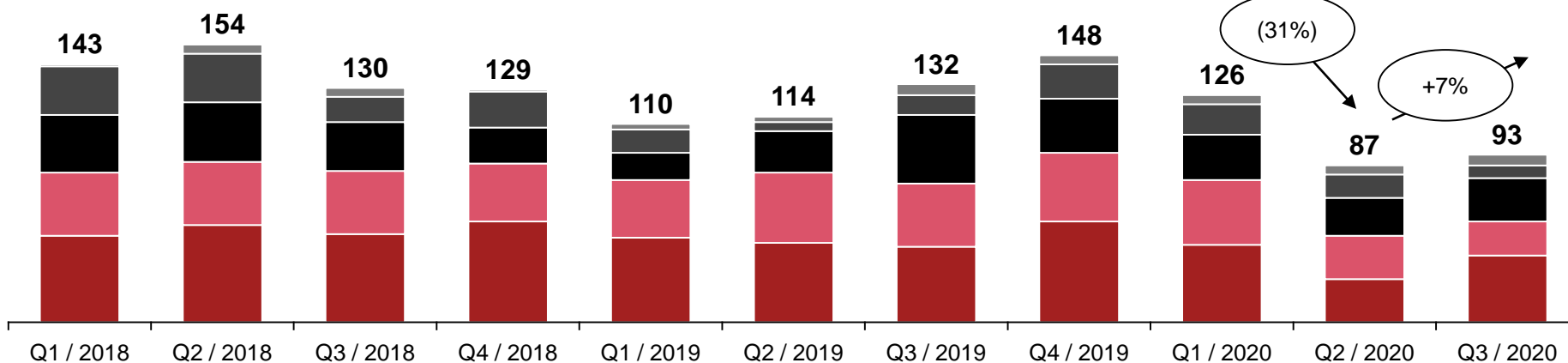
Source: Strategy& analysis' IHS Markit

Switzerland has seen a stronger M&A recovery in Q3 2020 compared to the overall DACH region

Deals count for IPS industries in Switzerland



Deals count for IPS industries in the DACH region



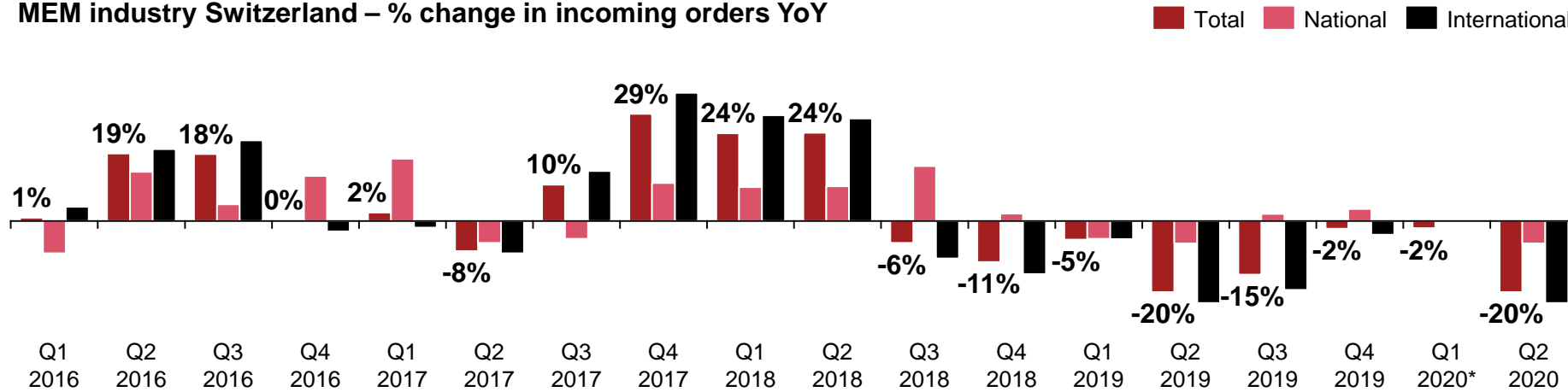
Aerospace & Defence
 Automotive
 Business Services
 Engineering & Construction
 Manufacturing

M&A impact

- Switzerland has seen a stronger decline in Q2 2020 but also a stronger rebound in Q3 2020 compared to the DACH region
- It is expected that Q4 2020 and Q1 2021 will be impacted by upcoming restrictions imposed due to increasing Covid-19 cases
- Prolonged recovery and follow up of restrained M&A opportunities are expected the earliest from Q2 2021 onwards

Even though total incoming orders have decreased YoY for Q2 in 2020, most survey respondents have been more positive on the revenue impact in August

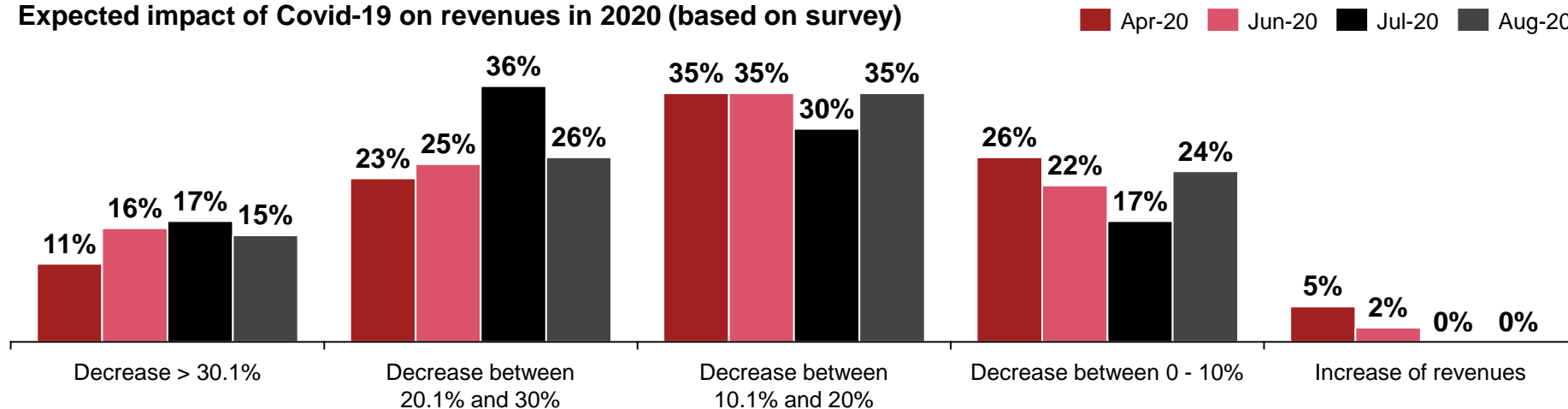
MEM industry Switzerland – % change in incoming orders YoY



M&A impact

- Decreasing incoming orders for Q2 2020 of (19.5%) YoY have a negative impact on expected future developments as strong backlogs favour high M&A activities
- Changing expectations about the impact of Covid-19 on revenues as well as sales decreases by (19.7%) YoY for the MEM industry most likely cause M&A activities to further decrease

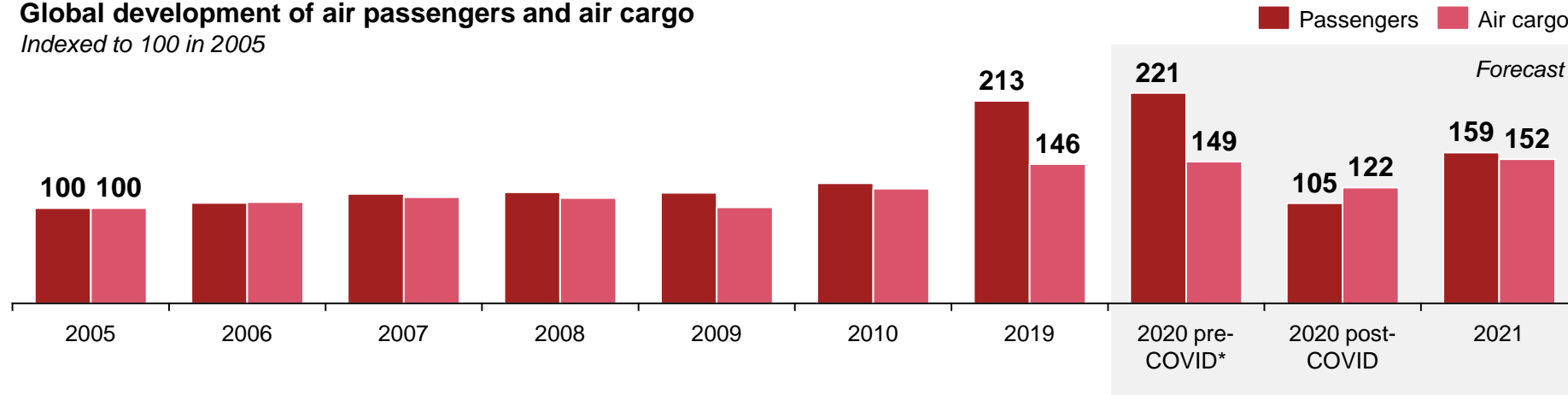
Expected impact of Covid-19 on revenues in 2020 (based on survey)



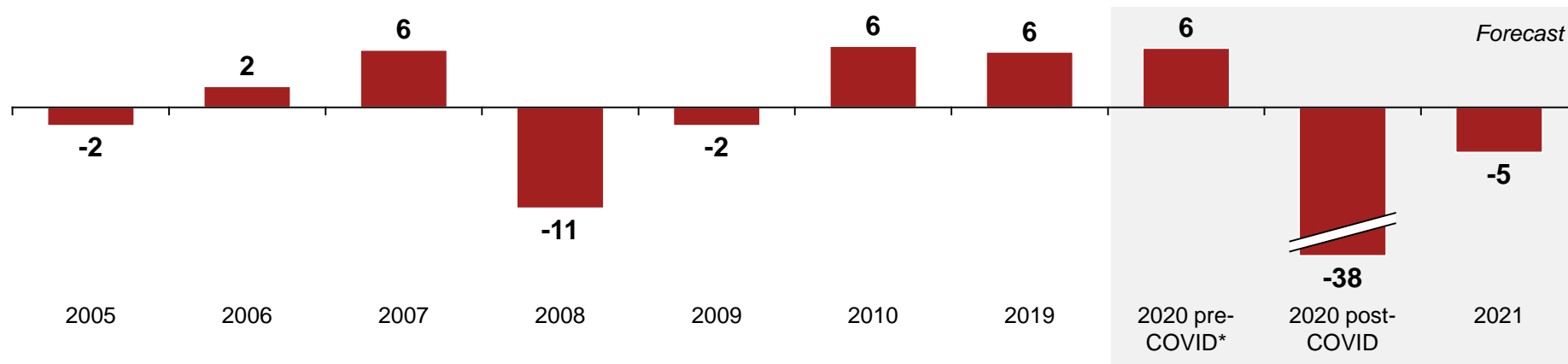
Air travel has been severely hit by Covid-19 with passenger and air cargo volumes expected to decrease by almost 50% in 2020 while revenues per passenger decline

Global development of air passengers and air cargo

Indexed to 100 in 2005













Expected impact of Covid-19 on global revenues per passenger (in USD)



M&A impact

- Post-Covid-19 forecasts for 2020 seem too positive given newly imposed global restrictions
- We expect a lasting decrease in consumer demand for air travel over the next couple of years, decreasing the need for new airplanes
- After initial and immediate responses of companies in the aerospace industry to secure liquidity and maintain the business, we expect M&A, with a focus on restructuring, to gain traction in Q1 / Q2 2021

Though most markets will recover gradually, individual market outlooks will vary significantly

Industrial market archetypes		Short term outlook	Long term outlook	M&A considerations
A	Mission Critical Serves essential B2B needs and/or inelastic consumer end markets, i.e. elevator MRO services	 Flat	 Lower potential	<ul style="list-style-type: none"> • Need to rethink / redesign global supply chains to secure productions • Possibilities to strengthen competitive positioning as others may struggle • Expanding product offerings to drive digitization • Financial investors show interest in sub-industries that haven't proven resilience but are fragmented (with USD 2.5 trillion dry powder in 2019) • Valuation multiples have remained fairly stable while increasing uncertainty has caused a widening expectation gap between buyers and sellers
B	Defensive More non-discretionary areas of spend which can be deferred in the short-term, i.e. food packaging	 Shallow downturn	 Lower potential	
C	Secular Growth Benefits from non-cyclical adoption growth in next-generation technologies, i.e. construction project management software	 Shallow downturn	 High potential	
D	Strong but Cyclical Consistently declines during downturns but can be expected to return to growth in the longer term, i.e. specialty contractors	 Deep downturn	 High potential	
E	Structurally Challenged Declining in short-term and challenged in long-term as well, either due to Covid-related factors or prior trends, i.e. airlines	 Deep downturn	 Lower potential	