PRESS RELEASE

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M&A panel 2015 II survey by CMS and FINANCE – German M&A market: rising project workload for advisors and bankers

Frankfurt/Main – M&A specialists at German banks and consulting firms are very positive about their current workload and prospects for the coming months. A high overall level of M&A activity in the context of a very favourable market climate featuring a wide range of finance options means that even higher deal flow can be expected in the near future, especially among smaller companies. Those are the key findings of the latest M&A panel survey, conducted three times a year by law firm CMS and FINANCE magazine. The heads of the M&A departments at German companies plus leading investment bankers and M&A consultants provide anonymous assessments of the market for the survey.

Buoyant deal activity

German M&A advisors are now seeing even stronger M&A activity in almost all sectors compared with the February survey. Deal flow only stagnated in the media industry, while energy/mining saw a slight decline from an already low level. Software/IT, retail/e-commerce and pharmaceuticals/healthcare posted the highest activity levels. The strongest growth rates were recorded in retail/e-commerce, financial services, the service sector and renewable energy. The supportive climate and high level of deal activity across the sectors were also confirmed by CMS partner Dr Thomas Meyding: "We are currently involved in the preparation stage of a number of projects, especially in the upper mid-cap segment." As the panel's projection indicates, advisors expect the above-average workload to persist over the coming months. Although now only around 30% of the corporate M&A chiefs who took part in the survey said that they handled at least half of their transactions with the aid of external support, compared with around 50% of respondents a year ago, the large number of transactions overall does provide M&A advisors and investment bankers with an above-average workload. Consulting firms that focus on small-cap transactions are somewhat busier than their counterparts who specialise in mid-cap and large-cap deals for the first time since the M&A workload projection was introduced a year ago. They are also significantly more optimistic about the months ahead than was previously the case.

Comfortable financing environment

Another indicator likewise points to a positive market situation: "The financing environment is extremely robust, both for strategic investors and PE firms. Availability and conditions remain very good," said Dr Oliver Wolfgramm, partner at CMS. "Having said that, sellers' price expectations are high to very high in some cases, so more time is often needed for preparation and to ensure that financing is in place for an acquisition." The panel's assessment of the finance environment reached new record highs, both for strategic buyers and those from the private equity camp. The assessment of financing options for PE firms by the surveyed M&A consultants and investment bankers has thus risen steadily since the low in March 2012; in contrast, PE investors themselves see a slight weakening of the finance environment at the moment, although ratings remain high, as demonstrated by the latest private equity panel survey by CMS and FINANCE. The heads of corporate M&A departments are prepared to take advantage of the attractive financing options available, despite sitting on healthy coffers for some time now. While they regard their own cash levels as by far the most crucial element in acquisition financing, they also attach greater importance to bank loans than at any time since the survey was launched.

Going for growth, renewed importance of due diligence

As with investment bankers and M&A advisors, corporates also regard the desire for faster growth as currently the most important deal driver. Careful attention is being paid to the preliminary stage of transactions, though. The panel's responses suggest that company managers increasingly feel that negotiations are particularly intensive and protracted. This trend is confirmed by Dr Wolfgramm: "This is undoubtedly related to high to very high price expectations and asking prices on the part of sellers, and strong competition for attractive targets." When it comes to the biggest deal breakers, corporates still attach major significance to negative due diligence findings; investment bankers and M&A consultants also rate this factor higher than in the past. Given the renaissance of risk-oriented, focused due diligence, Dr Meyding has the following advice: "The key to successful due diligence is a smart strategy for homing in on weaknesses. It is also important to include potential buyers in the process."

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