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European M&A set to benefit from trade war

Brussels, 1 October 2018 – A sense of optimism continues to surround European M&A despite geopolitical headwinds, according to the sixth edition of the European M&A Outlook, published by CMS in association with Mergermarket.

The report canvassed the opinions of 230 Europe-based executives, from corporates and private equity firms, assessing dealmaking sentiment for the European M&A market in the year ahead.

European M&A value in 2018 increased 16 percent year-on-year, reaching a total value of EUR 509bn during H1, and the outlook remains bright. Over 70 percent of respondents expect to engage with M&A over the coming year and 22 percent of respondents expect dealmaking to significantly increase over the next 12 months.

This optimism is underpinned by a strong interest from overseas buyers, with 92 percent of respondents expecting an increase in the number of inbound European transactions. Vincent Dirckx, partner and Head of the Corporate/M&A practice at CMS in Belgium, agrees: "M&A remains a core part of European companies' strategy as a means of expanding into new areas, staying on top of technology trends and responding to tighter regulation."

Stefan Brunnschweiler, Head of the Corporate/M&A Group at CMS, said, "This increasing interest from overseas dealmakers in European firms is taking place against a backdrop of a burgeoning trade war between the US and China, with the upcoming US mid-terms and possible shifts in US policy creating uncertainty as well. As tensions intensify and with European growth remaining solid, the region is presenting itself as a safe haven."

However, political instability within the continent remains a challenge for dealmakers, with respondents citing this as their paramount concern when pursuing M&A. "Despite the optimism surrounding European dealmaking, Europe remains an uncertain political climate," says Virginia Garcia Martinez, Transactions Editor, EMEA at Mergermarket. "This may act as a deterrent to M&A transactions targeting countries such as the UK and instead prompt dealmakers to seek more stable ground within the continent".

Key findings from the report include:

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- 22 percent of respondents are expecting dealmaking to increase significantly over the next 12 months, up from just 7 percent last year.
- Companies are increasingly using dealmaking to shape and optimise their business, with 72 percent of those within this report expecting to engage with M&A in some way in the coming year, whether through acquisitions, divestments or both.
- Financing conditions appear positive, with 47 percent expecting conditions to improve over the next 12 months. Financing methods have diversified since the crisis years, with more companies turning to cash reserves, refinancings and bank lending as sources of capital.
- Politics in Europe is the biggest obstacle to M&A activity in the region, followed by possible shifts in US policy.

Methodology

In the second quarter of 2018, Mergermarket surveyed senior executives from 170 corporates and 60 PE firms based in Europe about their expectations for the European M&A market in the year ahead. All respondents have been involved in an M&A transaction over the past two years and all responses are anonymous and results are presented in aggregate.

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Notes to editors:

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