

# PRESS RELEASE

Date	14 September 2021	CMS Legal Services EEIG
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Subject	<b>The Road to Recovery: European M&amp;A Outlook 2022</b>	cms.law

## The Road to Recovery: European M&A Outlook 2022

*Dealmakers say PE best placed to flourish in the next 12 months*

- **A brighter outlook:** 53% of respondents expect European M&A activity to increase over the next 12 months (compared to only 2% last year)
- **Low valuations and distress:** 24% see undervalued targets as the most important buy-side driver of M&A activity. 22% identify distressed-driven M&A as the most important catalyst for sell-side activity.
- **Private equity in pole position:** 71% agree that financial buyers are better placed than strategic buyers to take advantage of buying opportunities in the post-lockdown revival.

*London, 14 September 2021* – 71% of dealmakers agree that private equity (PE) firms are better placed than corporates to take advantage of buying opportunities presented by COVID-19, according to the ninth edition of the European M&A Outlook, published by CMS in association with Mergermarket.

The report offers a comprehensive assessment of dealmaking sentiment in Europe's M&A market. It reflects the opinions of 330 corporates and PE firms based in Europe, the Americas and APAC about their expectations for the European M&A market in the year ahead.

Louise Wallace, Head of the CMS Corporate/M&A Group, commented: *“PE firms have limited timeframes to deploy capital so are expected to move quickly to get deployment levels back on schedule. Whilst corporates are currently focusing on reopening offices and sites as COVID-19 restrictions ease, we expect greater activity from these strategic buyers as well as from the European and US SPACs keen to deploy capital.”*

While financial buyers may be better placed than strategic buyers, more than half of survey respondents expect the overall level of European M&A activity to increase over the next 12 months, with both corporates and PE firms eager to make up for lost time. This stands in stark contrast to last year's poll, in which 78% of interviewees were preparing for a decrease in M&A.

*“The COVID-19 vaccine roll-out has been the real game changer, allowing countries to reopen and supporting a revival in economic growth,”* said Stefan Brunschweiler, Co-Head of the CMS Corporate/M&A Group, adding, *“While the pandemic is far from over, vaccine programmes have been effective at limiting the impact of the virus, enabling investment and a return to growth.”*

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Although asset prices have held up through the pandemic and vast government stimulus has kept businesses from insolvency, almost a quarter of respondents (24%) see undervalued targets as the most important buy-side driver of M&A activity over the next 12 months. A similar share (22%) identifies distressed-driven M&A as the most important catalyst for sell-side activity.

The pandemic has also highlighted how business profitability is inextricably linked to public health and social and environmental stability, prompting dealmakers to build ESG criteria into their M&A strategies.

Survey respondents see this as only the beginning, with 72% expecting ESG scrutiny to increase during the next three years, and 65% predicting that due diligence will focus more on ESG factors over the same period.

Johan Svedberg, a partner at CMS Norway, commented: *“Over the past 18 months, many companies have looked with envy at the multiples that newly-listed ‘ESG companies’ have attracted on the Euronext Growth trading market. That has generated a huge number of spin-offs and IPOs. The ‘E’ in ESG has been the common denominator, but the ‘S’ and ‘G’ must be carefully managed as well.”*

Sector-wise, Technology, Media and Telecommunications (TMT) is among the sectors set to continue to dominate dealmaking. *“In H2 2021, we expect TMT M&A to maintain the strong pace observed during the first six months of the year,”* explained Ignacio Zarzalejos, Partner at CMS Spain. *“Dealmaking in the space will continue to rise, and TMT will stand out as one of the main sectors for M&A.”*

### **Methodology**

In Q2 2021, Mergermarket surveyed senior executives from 240 corporates and 90 PE firms based in Europe, the Americas and APAC regions about their expectations for the European M&A market in the year ahead.

Among the 330 executives interviewed, 70% are headquartered in Europe, while the remaining 30% are equally split between the Americas and APAC regions. All respondents have been involved in an M&A transaction over the past two years and 67% of all respondents plan to undertake an M&A transaction in the coming year. All responses are anonymous, and results are presented in aggregate.

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