

Your World First

C/M/S/

Law . Tax

European M&A Outlook

A Study of European M&A Activity

September 2014

In cooperation with:



MERGERMARKET

Table of Contents

Foreword	3
Looking Back at 2014	4
W&I Not? The Emergence of Warranty and Indemnity Insurance in European M&A Transactions	10
Round Table: A Conversation with TMT Dealmakers	12
Methodology	17
Market Research	18
About CMS	40
About Mergermarket	42

Foreword

Thomas Meyding, Head of CMS Corporate Group



CMS, in conjunction with Mergermarket, is pleased to present the second edition of the European M&A Outlook.

The publication is based on forward-looking research on the prospects for M&A across Europe over the next 12 months.

With the help of Mergermarket, we have engaged with M&A stakeholders across Europe to gather their views on the likely activity levels, hot sectors and key drivers for M&A over the next 12 months. The research extends across all European geographies and a number of important market segments and takes into account the view of CEOs, finance directors, bankers, M&A heads, private equity players and sector specialists.

The publication also compares the current sentiment for M&A across Europe with the results of this research, and the sentiment, from 2013.

As forecast by the majority of participants in the research last year, we have seen a significant increase in the level of M&A activity across Europe since summer 2013. Certain sectors, such as TMT and energy, have dominated high-end European M&A transactions.

As is evident from our section 'Looking back at 2014', global confidence in Europe's recovery is undeniably growing, with deal values in the first half of 2014 increasing by 34% compared to the same period last year. A significant proportion of this increase can be attributed to the TMT sector, where transformative acquisitions and sustained activity contributed over €40bn to total deal values in Europe in this period. However, dealmakers should be cautious with their expectations for European M&A over the coming months. Stagnant growth in certain pockets of Europe, along with the impact of political tension between Russia and Ukraine and sanctions against Russia, will no doubt have an effect on dealmakers' plans.

As always, the Outlook makes interesting reading and this year you will find:

- Attitudes about Europe's economic recovery have improved significantly and the majority believe that the worst is behind us;
- Views are very divided as to whether the political situation in Russia and Ukraine will impact European M&A and political uncertainty is still seen as the greatest threat to European businesses;
- Businesses are bullish about the level of M&A over the next 12 months with 67% of respondents considering either acquisitions or divestments or both. This planned activity is driven mainly by a growth strategy or a strategy to focus on the highest growth geographies in the current business; and
- Germany is tipped to be the most active M&A market and TMT the hottest sector over the next 12 months.

The research also confirms that there continues to be some disconnect between price expectations and risk appetite between sellers and buyers. Aaron Fairhurst, a partner at CMS, explains how warranty and indemnity insurance is being increasingly used in European M&A transactions to bridge this gap between sellers and buyers.

We look forward to your feedback on the Outlook and to reporting to you on recent trends affecting M&A deal terms in our CMS European M&A Study 2015 to be released early next year.

Methodology

In the second quarter of 2014, Mergermarket interviewed 225 Europe-based corporate executives about their experiences of the continent's M&A and economic climate, along with their expectations for the future. All responses are anonymous and results are presented in aggregate.

The data has been divided for comparative purposes into regions. The countries included in each of these regions are as follows:

- Benelux: Belgium, Luxembourg, Netherlands
- CEE (excluding Russia & Ukraine): Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia
- German-speaking countries: Austria, Germany, Switzerland
- Iberia: Portugal, Spain
- Nordics: Denmark, Finland, Norway, Sweden
- SEE: Albania, Greece, Turkey

France, Italy, Russia & Ukraine, UK & Ireland are presented as individual categories.

About CMS

CMS provides clients with specialist, business-focused advice in law and tax matters. With our 3,000 legal professionals across the world, working in sector-based teams and trained in project management, our focus is on our clients and fulfilling their objectives.

In a competitive legal market, we stand apart through our deep commitment to understanding our clients' business and the sectors and countries in which we operate. From major multinationals and mid-caps to enterprising start-ups, we provide the technical rigour, strategic excellence and long-term partnership to keep each client ahead whatever its chosen markets.

For more information please visit www.cmslegal.com.

Contact us:

CMS Austria

Peter Huber

T +43 1 40443 1650

E peter.huber@cms-rrh.com

CMS Belgium

Vincent Dirckx

T +32 2 74369 85

E vincent.dirckx@cms-db.com

CMS Central & Eastern Europe (CEE)

Helen Rodwell

T +420 2 96798 818

E helen.rodwell@cms-cmck.com

CMS Serbia

Radivoje Petrikić

T +43 1 40443 1650

E radivoje.petrikic@cms-rrh.com

CMS France

Jacques Isnard

T +33 1 4738 4020

E jacques.isnard@cms-bfl.com

CMS Germany

Thomas Meyding

T +49 711 9764 388

E thomas.meyding@cms-hs.com

CMS Italy

Pietro Cavasola

T +39 06 4781 51

E pietro.cavasola@cms-aacs.com

CMS Netherlands

Roman Tarlavski

T +31 20 3016 312

E roman.tarlavski@cms-dsb.com

CMS Portugal

Francisco Xavier de Almeida

T +351 210 958 100

E francisco.almeida@cms-rpa.com

CMS Russia

David Cranfield

T +7 495 786 4030

E david.cranfield@cmslegal.ru

CMS Spain

Carlos Peña Boada

T +34 91 4519 290

E carlos.pena@cms-asl.com

CMS Switzerland

Max H. Albers-Schönberg

T +41 44 2851 111

E max.albers@cms-vep.com

CMS United Kingdom

Martin Mendelssohn

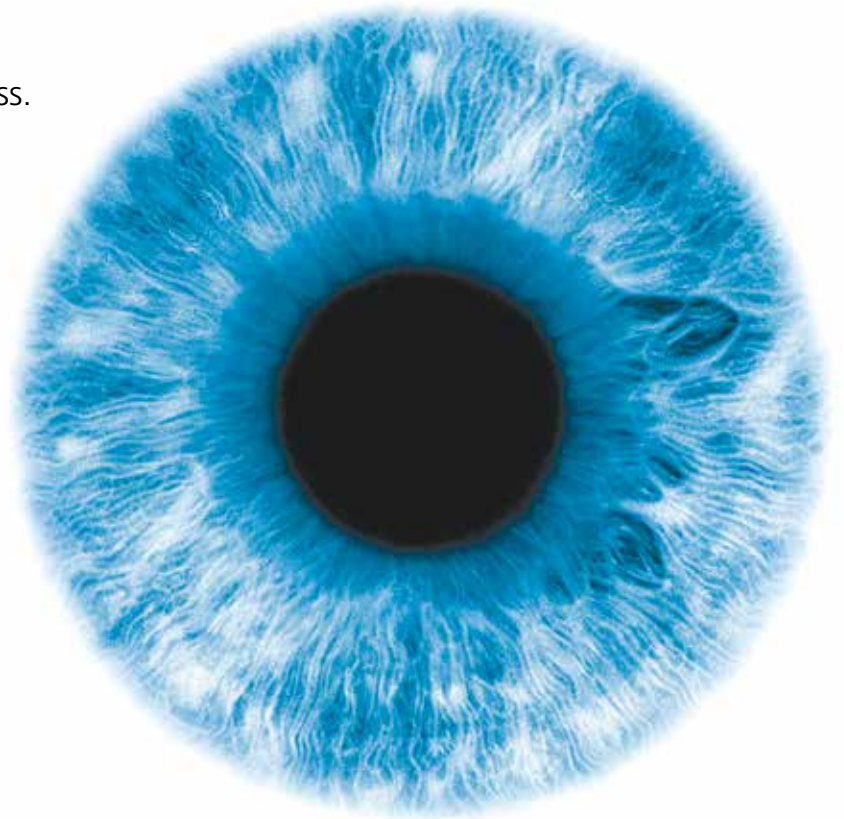
T +44 20 7367 2872

E martin.mendelssohn@cms-cmck.com

Our approach
to every client is
always the same.

Completely unique.

CMS's 3,000 law and tax experts in 59 offices help your organisation thrive in changing times. Through technical rigour, strategic expertise and focus on building long-term partnerships, we are committed to our clients and their business success.



About Mergermarket



MERGERMARKET

Mergermarket is an unparalleled, independent mergers & acquisitions (M&A) proprietary intelligence tool. Unlike any other service of its kind, Mergermarket provides a complete overview of the M&A market by offering both a forward-looking intelligence database and a historical deals database, achieving real revenues for Mergermarket clients.



Remark, the events and publications arm of The Mergermarket Group, offers a range of publishing, research and events services that enable clients to enhance their own profile, and to develop new business opportunities with their target audience.

To find out more please visit

www.mergermarketgroup.com/events-publications/

For more information please contact:

Karina Ross

Head of Sales EMEA, Remark
The Mergermarket Group

T +44 (0)20 7010 6324

E karina.ross@mergermarket.com

Part of The Mergermarket Group
www.mergermarketgroup.com

**80 Strand
London
WC2R 0RL
United Kingdom**

T +44 20 7059 6100
F +44 20 7059 6101
sales@mergermarket.com

**330 Hudson St.,
4th Floor
New York, NY 10013
USA**

T +1 212 686 5606
F +1 212 686 2664
sales.us@mergermarket.com

**Suite 2401-03
Grand Millennium Plaza
181 Queen's Road, Central
Hong Kong**

T +852 2158 9700
F +852 2158 9701
sales.asia@mergermarket.com

Disclaimer

This publication contains general information and is not intended to be comprehensive nor to provide financial, investment, legal, tax or other professional advice or services. This publication is not a substitute for such professional advice or services, and it should not be acted on or relied upon or used as a basis for any investment or other decision or action that may affect you or your business. Before taking any such decision, you should consult a suitably qualified professional adviser. Whilst reasonable effort has been made to ensure the accuracy of the information contained in this publication, this cannot be guaranteed and neither Mergermarket nor any of its subsidiaries or any affiliate thereof or other related entity shall have any liability to any person or entity which relies on the information contained in this publication, including incidental or consequential damages arising from errors or omissions. Any such reliance is solely at the user's risk.

CMS Legal Services EEIG (CMS EEIG) is a European Economic Interest Grouping that coordinates an organisation of independent law firms. CMS EEIG provides no client services. Such services are solely provided by CMS EEIG's member firms in their respective jurisdictions. CMS EEIG and each of its member firms are separate and legally distinct entities, and no such entity has any authority to bind any other. CMS EEIG and each member firm are liable only for their own acts or omissions and not those of each other. The brand name "CMS" and the term "firm" are used to refer to some or all of the member firms or their offices.

CMS locations:

Aberdeen, Algiers, Amsterdam, Antwerp, Barcelona, Beijing, Belgrade, Berlin, Bratislava, Bristol, Brussels, Bucharest, Budapest, Casablanca, Cologne, Dubai, Duesseldorf, Edinburgh, Frankfurt, Geneva, Glasgow, Hamburg, Istanbul, Kyiv, Leipzig, Lisbon, Ljubljana, London, Luxembourg, Lyon, Madrid, Mexico City, Milan, Moscow, Munich, Muscat, Paris, Podgorica, Prague, Rio de Janeiro, Rome, Sarajevo, Seville, Shanghai, Sofia, Strasbourg, Stuttgart, Tirana, Utrecht, Vienna, Warsaw, Zagreb and Zurich.