

PRESS RELEASE

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Subject	CMS publishes 8th European M&A Study

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CMS reports on 2015 M&A activity and forecasts a year of uncertainty ahead

- 2015 was a record year for European M&A in value terms although deal volume was down 6%
- CMS transacted 391 deals in 2015, 13% more than the previous year
- 2016 is already a riskier M&A environment compared with 2015
- Buyers will have to respond at some stage to the major moves of their competitors in 2015.

CMS's 8th annual M&A Study predicts an uncertain year despite the record levels of deal value in 2015. In the study, CMS analyses over 2,000 of its non-listed European public and private company deals between 2010 and 2015.

The uncertainty is attributed to a number of grey or black swan events including the long predicted slowdown of China's economic growth and the greatest migration to Europe for a century across a fragile Schengen zone. The report also indicates that US interest rates and the clampdown on inversion deals, the divisive US election, a more aggressive corporate tax climate and the upcoming referendum in the UK on its position in the EU will contribute to a riskier deal environment.

As the landscape changes in 2016, sellers may have to lower their price expectations and/or heighten their risk appetite.

Stefan Brunnschweiler, Partner and Global Head of the CMS Corporate/M&A Group, said, "We have moved into a less stable environment in 2016 after a record year for M&A in 2015, but the major strategic moves made in so many industries in 2015 are bound to elicit a forthright response from competitors. Opportunities for decisive M&A continue."

The study revealed that deal value in Europe was up 22% in 2015 to EUR 990bn compared to 2014, despite a drop in volume of 6%. 2015 also saw the highest final quarter on record with deal value exceeding EUR 420bn. Although deal volume declined overall by 6%, CMS transacted 13% more deals in 2015 than the previous year.

The study found that buyers, in general, had to pay more to complete deals and spent more time and energy negotiating price. This can be seen from the increasing number of transactions which had a focus on the pricing provisions. In 2015, 49% of deals had a purchase price adjustment provision compared with 43% in the previous five years. 56% of the remainder had a 'locked box' term (compared with just 41% in the previous five years), a 'locked box' being another indicator of price focus. Meanwhile, buyers were more relaxed about other risk allocation provisions, with sellers being able to negotiate lower liability caps and limitation periods compared with the previous five years.

The availability of warranty & indemnity (W&I) insurance protects buyers against unknown risk on M&A deals. W&I insurance has increasingly become mainstream in 2015, alleviating risk for sellers and buyers alike.

The study also highlights fundamental differences between US and European practice which continue to apply on risk allocation for sellers and buyers on private M&A deals.

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NOTES TO EDITORS

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