

## Who dares wins: European M&A Outlook 2020



**The COVID-19 pandemic has taken a heavy toll on European dealmaking activity. However, opportunities remain for those willing to take risks, according to the eighth edition of the European M&A Outlook, published by CMS in association with Mergermarket.**

The report is a comprehensive assessment of dealmaking sentiment in the European M&A market. It canvasses the opinions of 230 senior Europe-based executives, from corporate and private equity firms, about their expectations for M&A in the year ahead.

According to Mergermarket data, in H1 2020, European deal volume fell 31% to 2,800 transactions and aggregate value dropped by 29% to EUR 262.9bn compared to the same period in 2019. Volume and value figures for Q2 are the lowest for any quarter since 2013.

This period of volatility looks set to continue. 74% of respondents to this year's survey say the pandemic has lessened their dealmaking appetite, with 65% not considering M&A at all, compared to just 45% last year. Correspondingly, only 2% of respondents expect their deal activity to increase this year, in comparison to 27% in 2019. More than half of those surveyed (53%) expect activity levels to decrease significantly during the next 12 months.

**Stefan Brunnschweiler**, head of the Corporate/M&A Group at CMS, comments: "In addition to COVID-19 disruption, the upcoming US election in November, the end of the UK's Brexit transition period, and deteriorating relations between China and the West will intensify the headwinds M&A investors face."

In the meantime, there will likely be opportunities in distressed M&A – 90% of respondents say there will be an increase in restructuring activity, and 82% expect an increase in corporate defaults. Almost three-quarters of cash-rich private equity firms noted their interest in distressed and turnaround opportunities, signalling that prospects remain for those brave enough to embrace both the challenges and the opportunities found in this period of instability.

### Further key findings from the report include:

- Struggling companies are unlikely to find the help they need from the corporate sector. Only 14% of corporates said they would consider acquiring distressed targets at this time. Instead, 83% of such respondents identify the acquisition of new technologies as one of their two principal deal drivers.
- Non-distressed deals will be mostly found in the sectors which have proven most resilient through lockdown

periods, including technology, media & telecoms (TMT), financial services, pharma, medical & biotech (PMB) and industrials. Respondents pointed to TMT (68%) and PMB (38%) as the two sectors where they expect to see the most European M&A activity over the next year. Meanwhile, the industries hit hardest by COVID-19 – including aviation, retail, leisure and restaurants – will find it difficult to find potential buyers without accepting much lower valuations.

- North America is considered the most attractive overseas market, with almost two-thirds (63%) of respondents predicting that it will be the top non-European target region for European acquirers in the coming year. Asia-Pacific placed a distant second at 35%.

**Methodology**

In the second and third quarters of 2020, Mergermarket surveyed senior executives from 170 corporates and 60 private equity 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. All responses are anonymous and results are presented in aggregate.