

## CMS European M&A Study 2024



**CMS has announced the findings of the 16th edition of the CMS European M&A Study 2024, offering an in-depth analysis of the mergers and acquisitions landscape based on transactions CMS advised on. The Study analyses a record 559 deals throughout 2023, indicating the resilience and adaptability of the European M&A market amidst challenging global conditions. The high number of completed deals is testament to CMS's strength in the market, despite the well-documented general downturn in deal activity across the globe.**

The 2024 Study reveals key trends in the M&A sector, including a notable shift in deal-making strategies, a rise in ESG due diligence and strategic investments outpacing financial investments. Despite a complex macroeconomic environment, the Study identifies a robust pipeline of deals for 2024, underpinned by a gradual stabilisation in the market, with lower interest rates and lower inflation.

### **Key findings and takeaways:**

- **Sustained deal activity:** Despite geopolitical tensions and economic challenges, 2023 witnessed a resilient M&A market, with CMS advising on a record number of deals. CMS led on 68 transactions in Central and Eastern Europe, with 10 in Romania alone. This resilience signals a robust appetite for strategic acquisitions and a promising outlook for 2024.
- **Pricing structures shift:** There was a notable decrease in purchase price adjustments (PPAs) and earn-outs, suggesting a move towards more stable and predictable deal structures. Notably, in CEE, there was a significant decline from 50% in 2021 to 40% in 2023. However, the reduced use of locked box structures in smaller transactions indicates lingering uncertainty regarding pricing.
- **ESG still emerging in deal considerations:** While specific ESG due diligence has seen an uptick, rising to 47% from last year's 33%, the incorporation of ESG factors into deal structures remains modest across Europe. This area is expected to grow as regulatory and reputational pressures increase.
- **Rise in strategic investments:** The study observed a significant presence of strategic investors both as buyers and sellers, indicating a strategic reshaping of business portfolios in response to evolving market conditions.
- **Risk allocation:** The standard limitation period for operational warranties, although reducing, remains between 12 to 24 months across most transactions, with liability caps below 50% of the purchase price being seen in the majority of cases, maintaining consistency with previous years. It's worth noting that the majority of deals in CEE (56%) and France (64%) have limitation periods of more than 24 months.
- **Absolute Limitation Periods:** Regional disparities in the use of absolute and relative limitation periods were pronounced in 2023. While relative limitation periods prevailed in the Nordic countries (100%), German-speaking countries (67%), and Benelux (63%), CEE witnessed the opposite trend. Absolute limitation periods remained

predominant in CEE, comprising 67% of transactions.

- **Arbitration Clauses:** The Study highlights a notable uptick in the utilisation of arbitration clauses across CEE, with 76% of all deals featuring such clauses. This stands in sharp contrast to regions like the UK, where arbitration clauses were included in only 12% of deals, underlining distinct regional dispute resolution preferences.
- **MAC clauses:** The prevalence of MAC clauses varies significantly across Europe, with CEE leading at 25% of deals. MAC clauses are rarely used in Benelux, the UK, France or the German speaking countries, indicating diverse risk assessment approaches within the European M&A landscape.
- **W&I insurance stability:** The utilisation of Warranty & Indemnity insurance in European deals, particularly in the larger transactions, has stayed consistent with 2022 levels, with the UK leading in its use.
- **Geopolitical and economic factors:** The Study acknowledges the ongoing impact of geopolitical tensions and economic uncertainties on deal-making, but also points to recovering confidence in the debt markets and potential boosts from election cycles.

Remarking on the CEE M&A landscape, [Horea Popescu](#), Managing Partner of the Bucharest office and Head of the Corporate M&A practice in CEE, says: "Amidst the complexities of the global M&A landscape, the CMS European M&A Study 2024 offers intriguing insights into the evolving landscape of deal-making strategies across Europe and underscores the resilience of the CEE M&A market. Despite challenges, CMS advised on 68 M&A deals in the region, with more than 50% of those fuelled by strategic entry into new markets, showcasing the solid strength of our corporate services offering across the region."

[Rodica Manea](#), partner in the Corporate/M&A Team in CMS Bucharest, adds: "As we contrast findings from the report with broader European trends, it's evident that regional disparities persist across Europe. The CEE market is forging its unique path, driven by strategic imperatives and a nuanced approach to risk management. With a diverse array of opportunities and evolving deal structures, the CEE market presents an exciting arena for investors, offering avenues for growth and innovation."

**Louise Wallace**, Global Head of the CMS Corporate/M&A Group, said: "The insights from this year's Study not only highlight the resilience of the European M&A market but also point towards interesting and evolving trends that will shape the future of deal-making. Our dedication to providing unparalleled guidance has never been more relevant."

**Dr Malte Bruhns**, Global Head of the CMS Corporate/M&A Group, added: "Our analysis reveals a market in transformation, adapting to global challenges while identifying new opportunities. This resilience and adaptability underline the strength of our M&A advisory services."

#### Conclusion:

The CMS European M&A Study 2024 underscores an optimistic outlook for M&A activity in Europe in 2024, highlighting resilience amid economic challenges. Key trends indicate a shift towards seller-friendly dynamics and robust deal flow, fuelled by improved market confidence and strategic entry into new markets.

Read the full CMS European M&A Study 2024 here: **CMS European M&A Study 2024:** [Market Trends & Insights](#)