



# THE EUROPEAN MERGER & ACQUISITION LANDSCAPE – SURPRISING SHOTS IN THE ARM FROM COVID-19

Emmanuel Antmann, Managing Director, Financière de Courcelles

Webinar

Tuesday, 08 June 2021, 15:00 BST

# A Word From Today's Chairman



**Professor Michael Mainelli**

Executive Chairman

Z/Yen Group

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# Today's Agenda



- 15:00 – 15:05 Chairman's Introduction
- 15:05 – 15:25 Keynote Presentation - Emmanuel Antmann
- 15:25 – 15:45 Questions & Answers

# Today's Speakers



**Emmanuel Antmann**

Managing Director

Financière de Courcelles



# A European M&A Snapshot

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June 2021

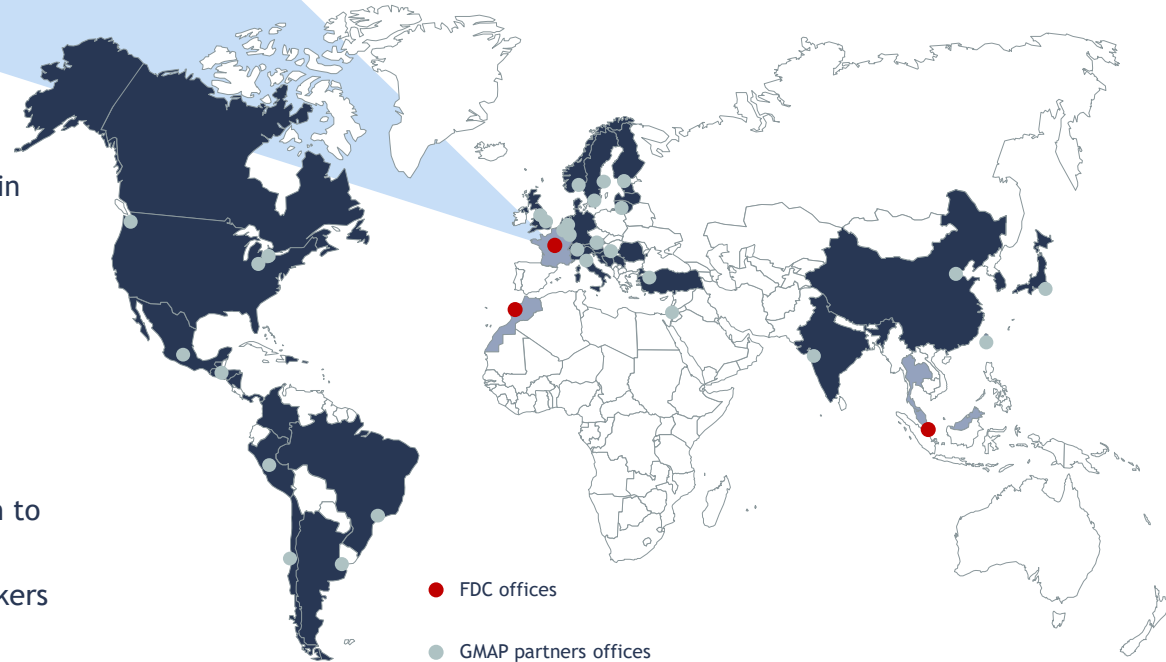
# FDC: an M&A advisory firm dedicated to the midcap market



- Independent financial advisory firm founded in 1928
- An approach historically focused on midcap companies and entrepreneurs
- 1,000 transactions completed
- 25 professionals
- 3 sector teams
- Senior professionals involved from origination to closing
- Privileged access to hundreds of decision-makers

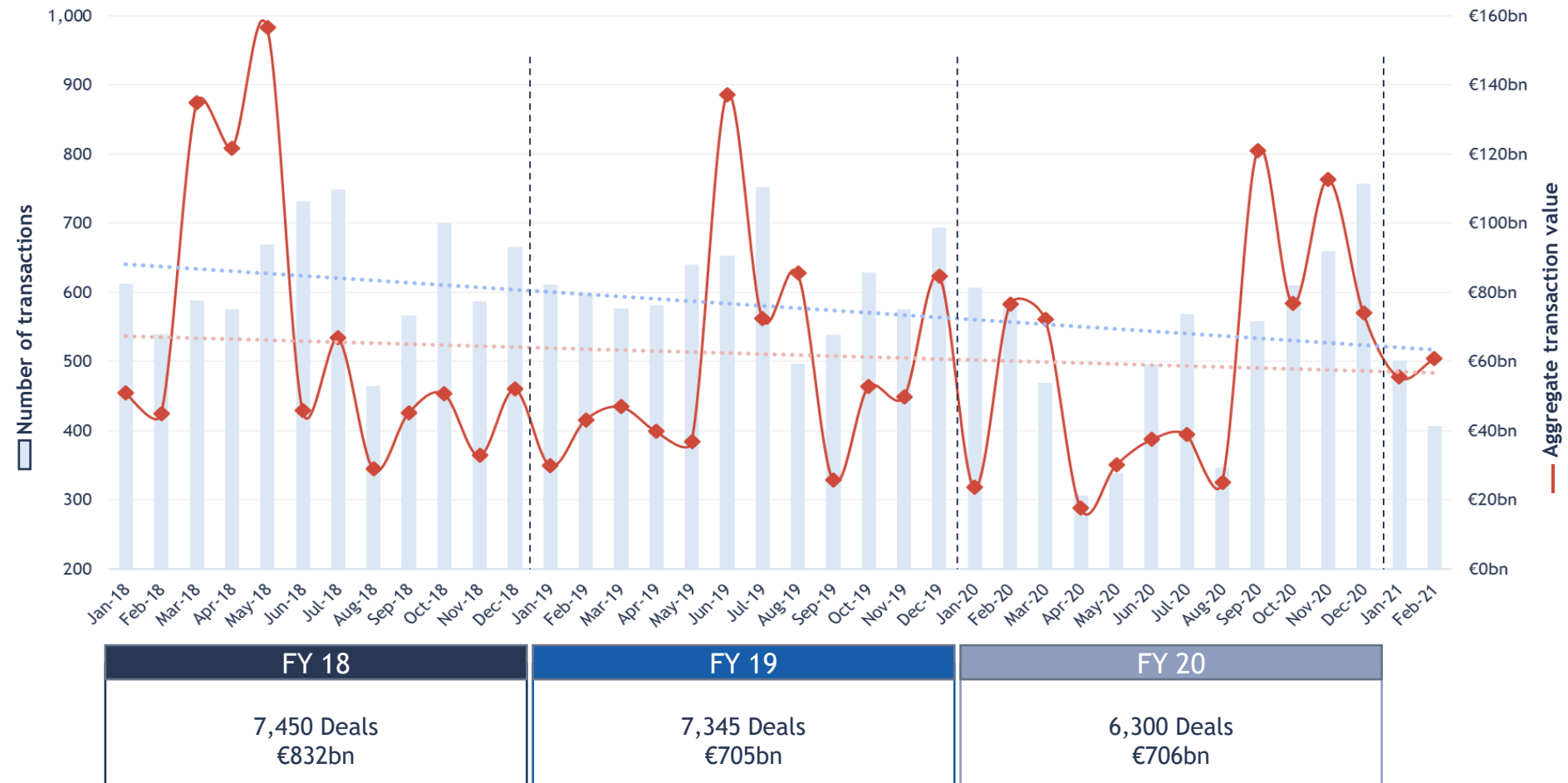


- International network of independent financial advisory firms sharing a similar culture
- 34 offices worldwide, covering 40 countries
- 350 professionals
- 1,500 transactions completed over the last 5 years
- 10 sector teams



# The European M&A market: did anything actually happen in 2020 ?

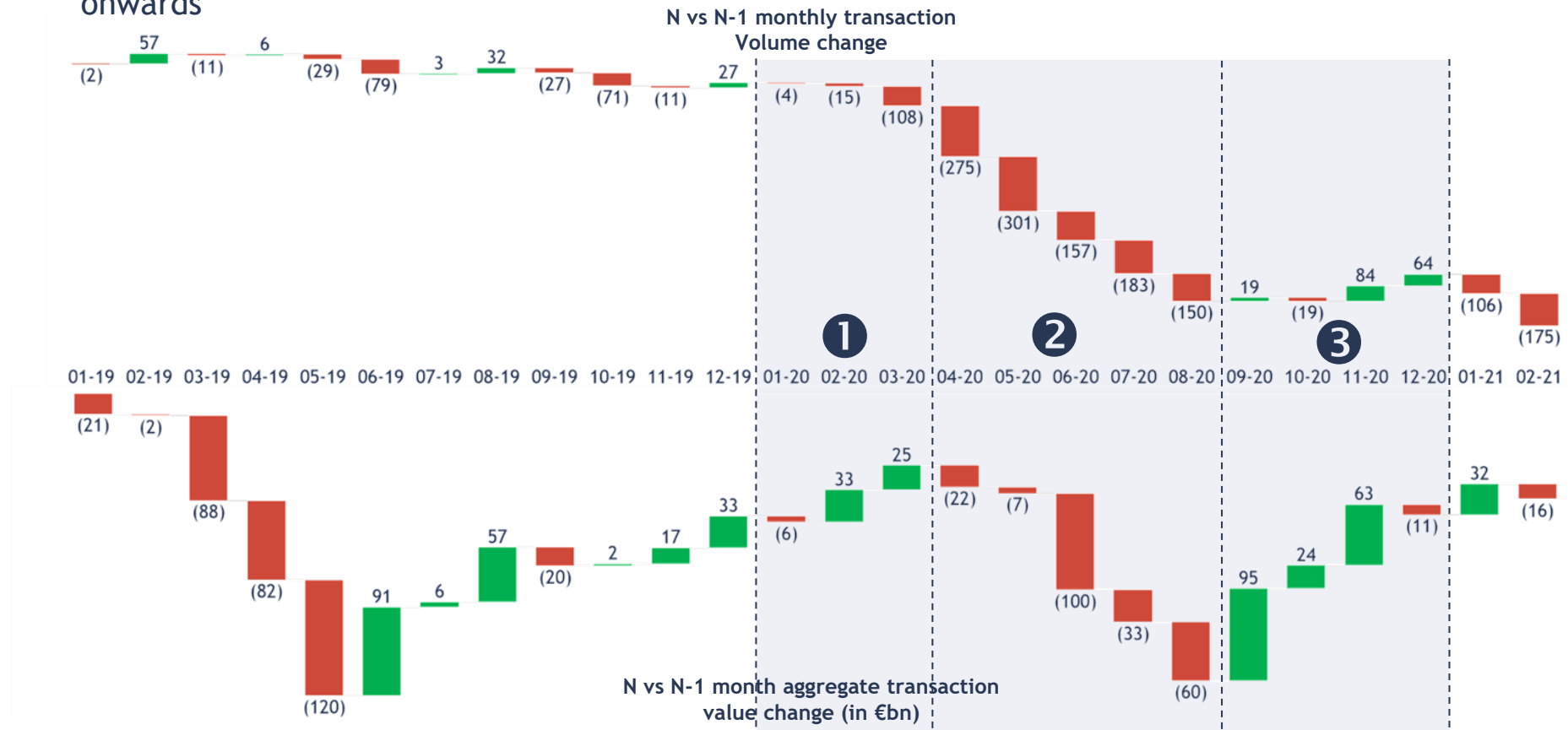
- The number of deals is down 14% compared to 2019, an almost record year ...
- ... but reported deal value is stable at over €700bn





# 2020 is actually split into three periods

- ❶ Until mid-March, the European M&A market does not show any sign of slowing down even though lockdowns spread across China/Asia in late 2019-early 2020
- ❷ It only freezes in the second half of March when Europe initiates lockdowns (Italy first, on 9 March, followed by Germany and France ...)
- ❸ It remains slow until summer and rallies rapidly in both numbers and sizes of deals from September onwards



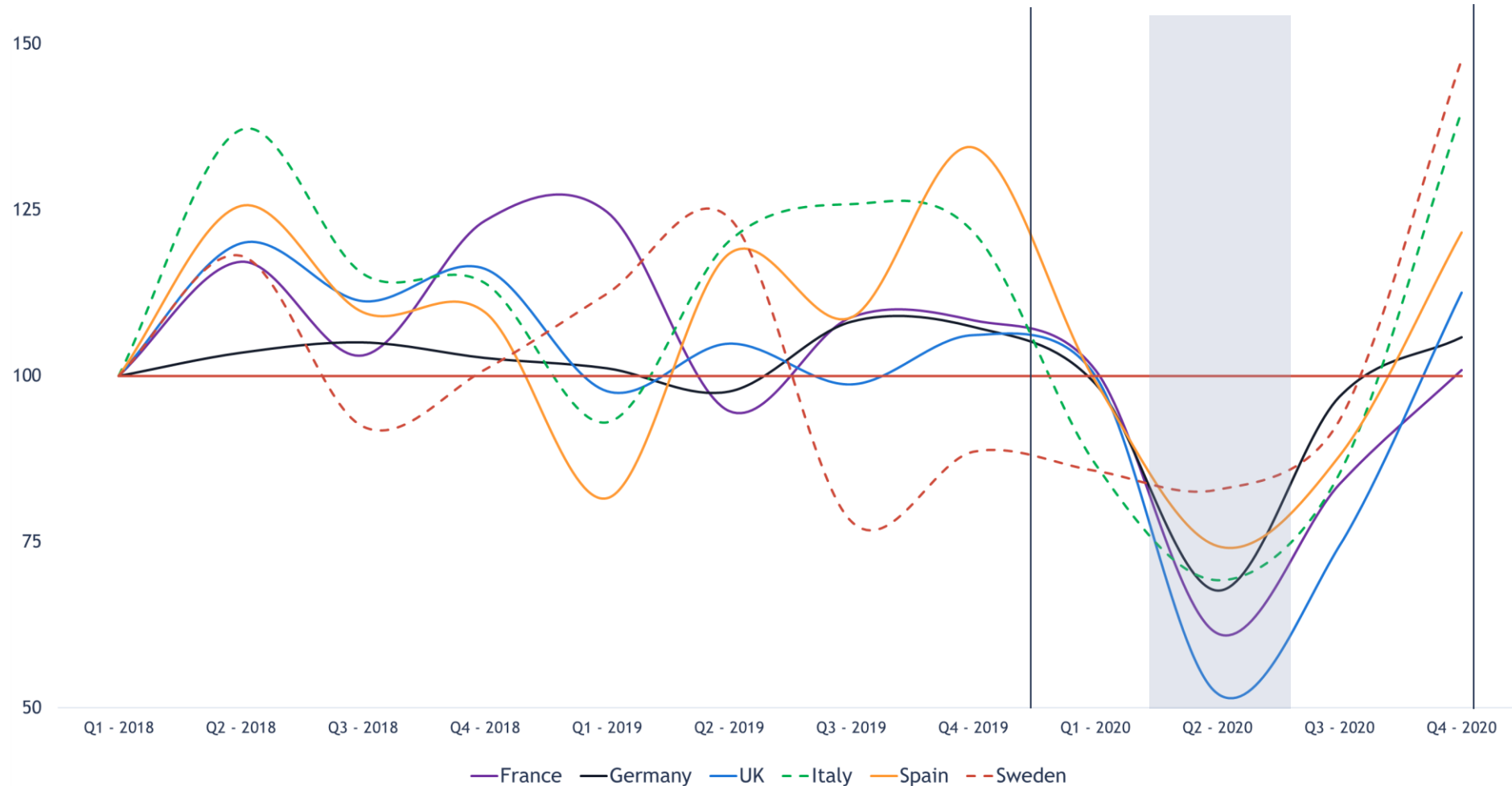
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## Poll: which European M&A markets reacted most to covid-19?

- France
- Germany
- Italy
- Sweden
- UK

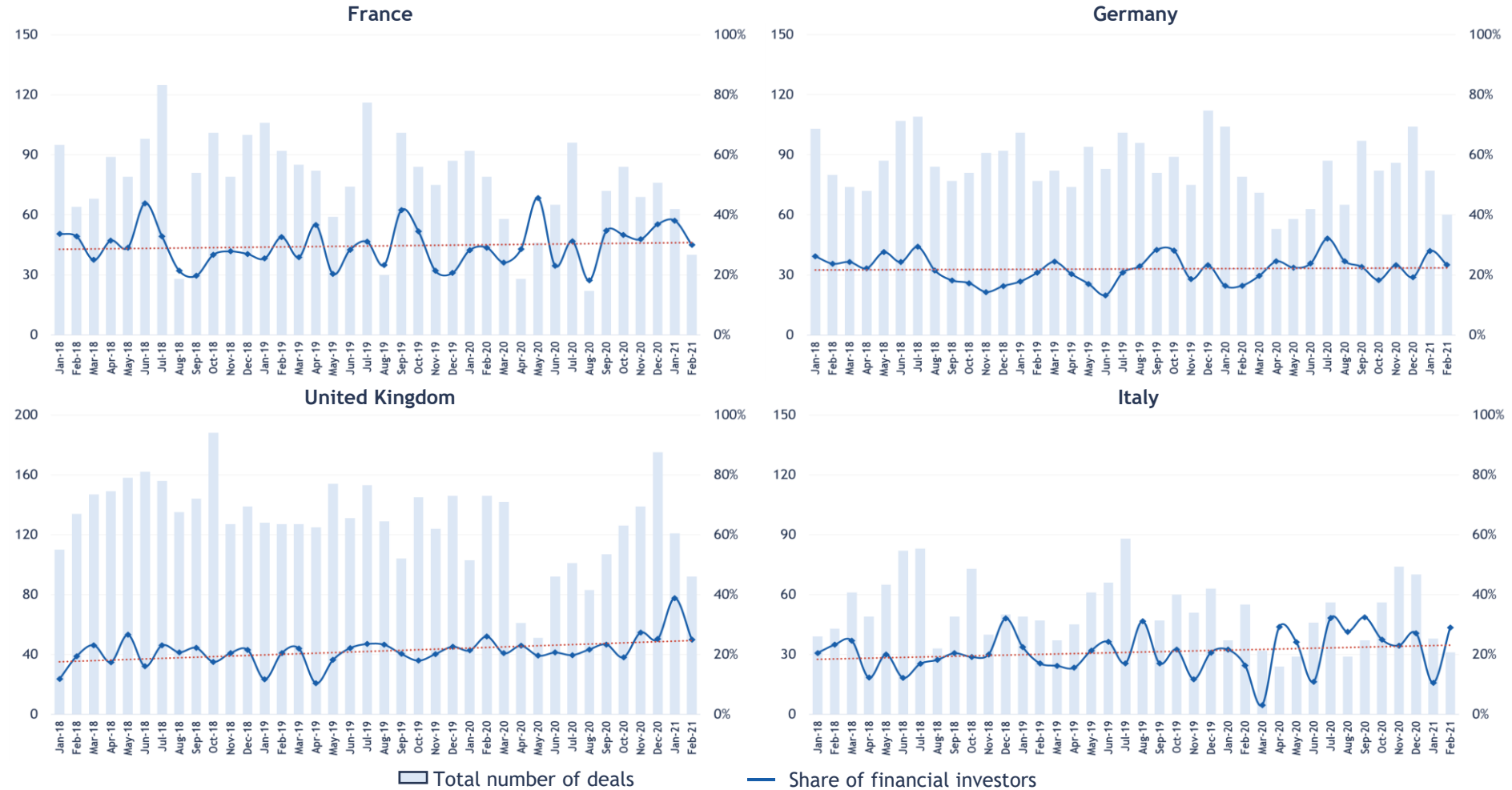
## All European markets reacted similarly in 2020 Q2

- Seasonality and market specifics aside, all European markets plunged at the same time in Q2
- All have recovered strongly since, even superseding 2018 and 2019 records in particular Italy and Sweden



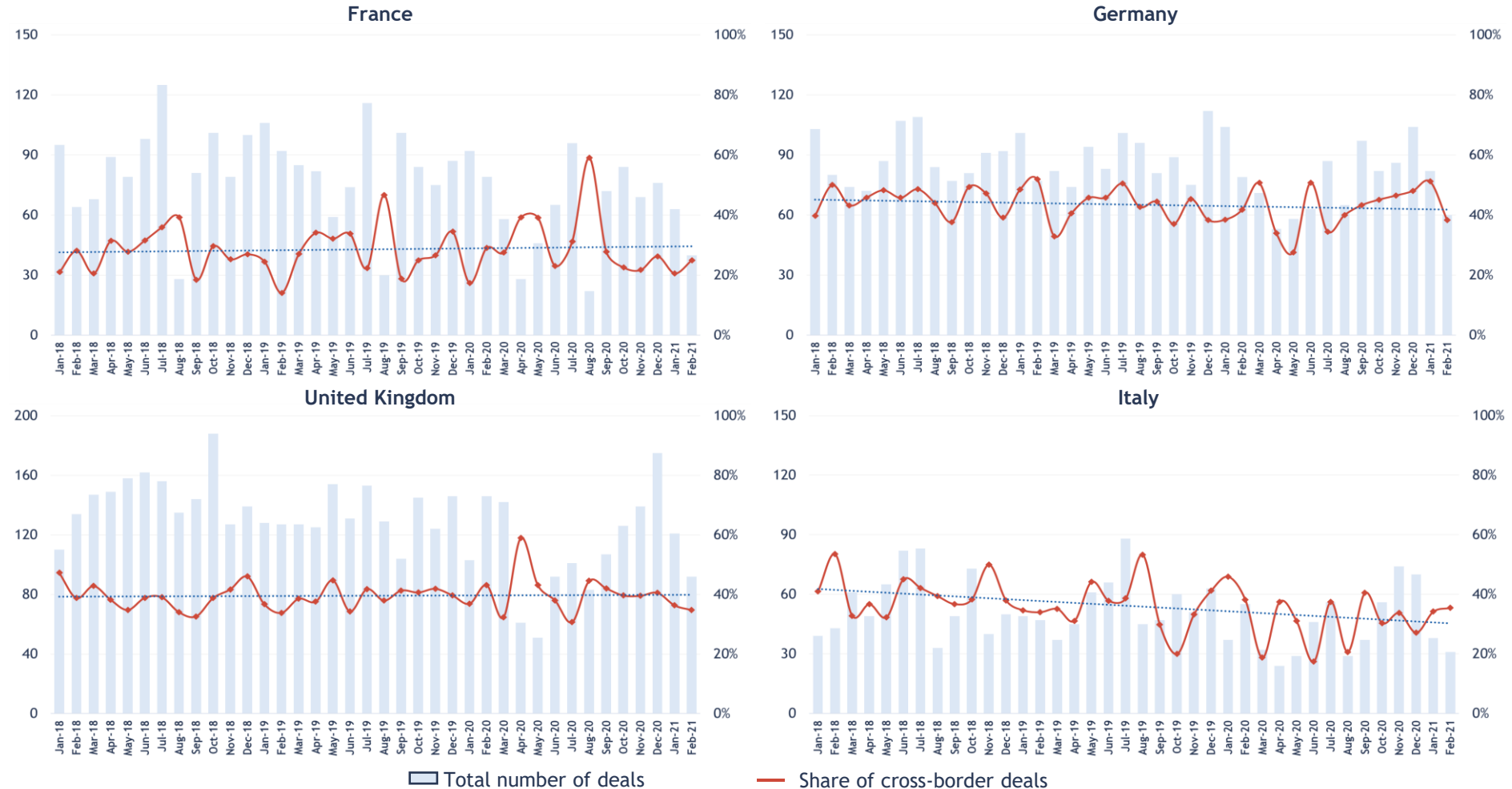
# Has C-19 brought changes to the structure of the M&A market? (1/2)

- Financial investors do not seem to have taken advantage of the situation
- Their share of the M&A market remains broadly stable



## Has C-19 brought changes to the structure of the M&A market? (2/2)

- The share of cross-border deals remains broadly stable, apart from Italy where the share of foreign bidders decreases and possibly Germany



Sources: Mergermarket, FDC  
 Data compiled: 15/03/2021

Analysis includes M&A deals higher than €5m announced between 1 January 2018 and 28 February 2021 in EU 25 + UK - Transaction value as of announcement date.

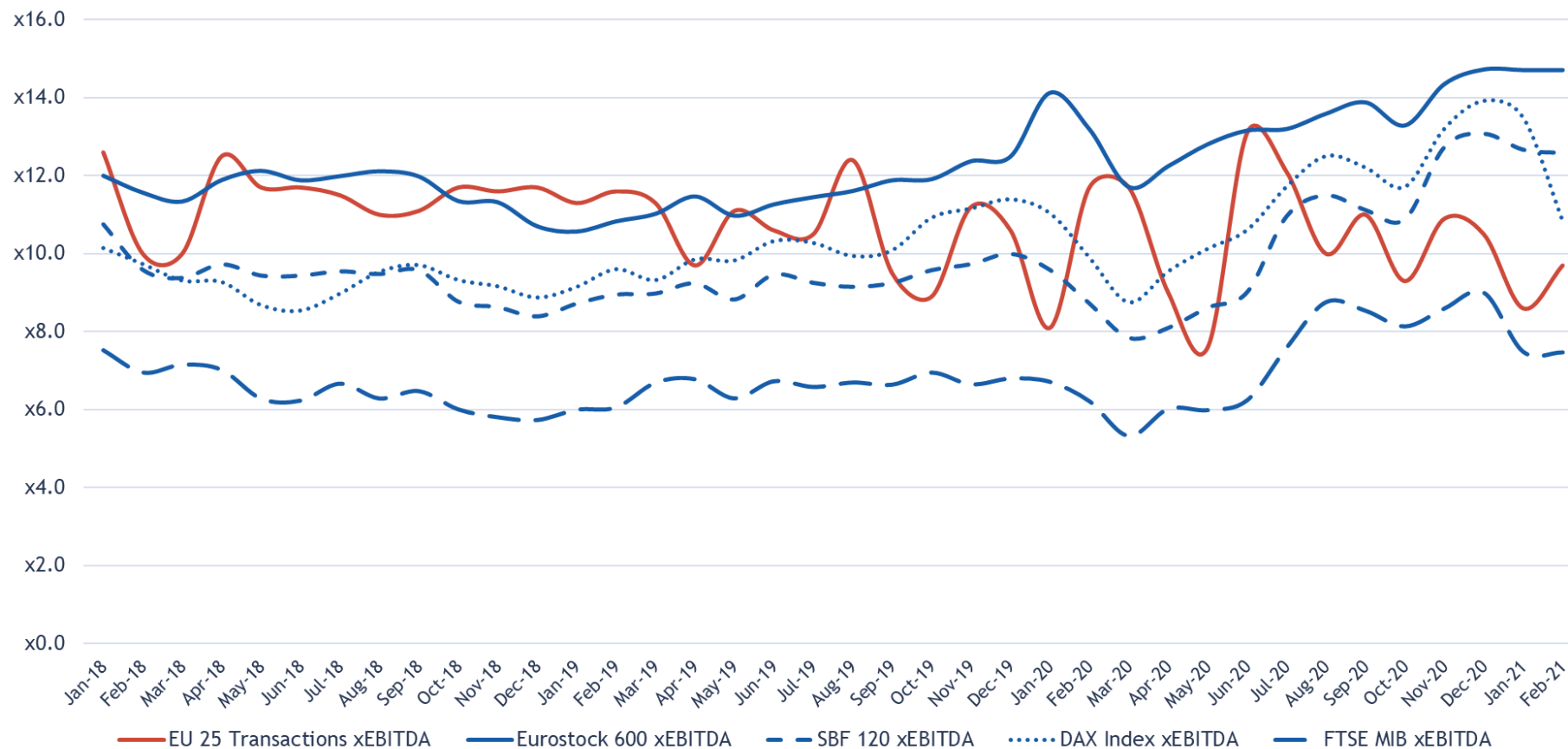
Strictly confidential





## If C-19 has had little influence on market structure, has it affected valuations?

- We have looked at both stock market valuations and actual transactions
- We observe a stability/increase in stock market valuations, but (...)
- (...) a decrease in multiples derived from actual M&A transactions



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## Poll: which sector do you think was affected most (either positively or negatively) by covid-19?

- Infrastructure & Energy
- Digital
- Hospitality
- Healthcare & Insurance

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## Poll: which sector do you think was the least affected by covid-19?

- Infrastructure & Energy
- Digital
- Hospitality
- Healthcare & Insurance

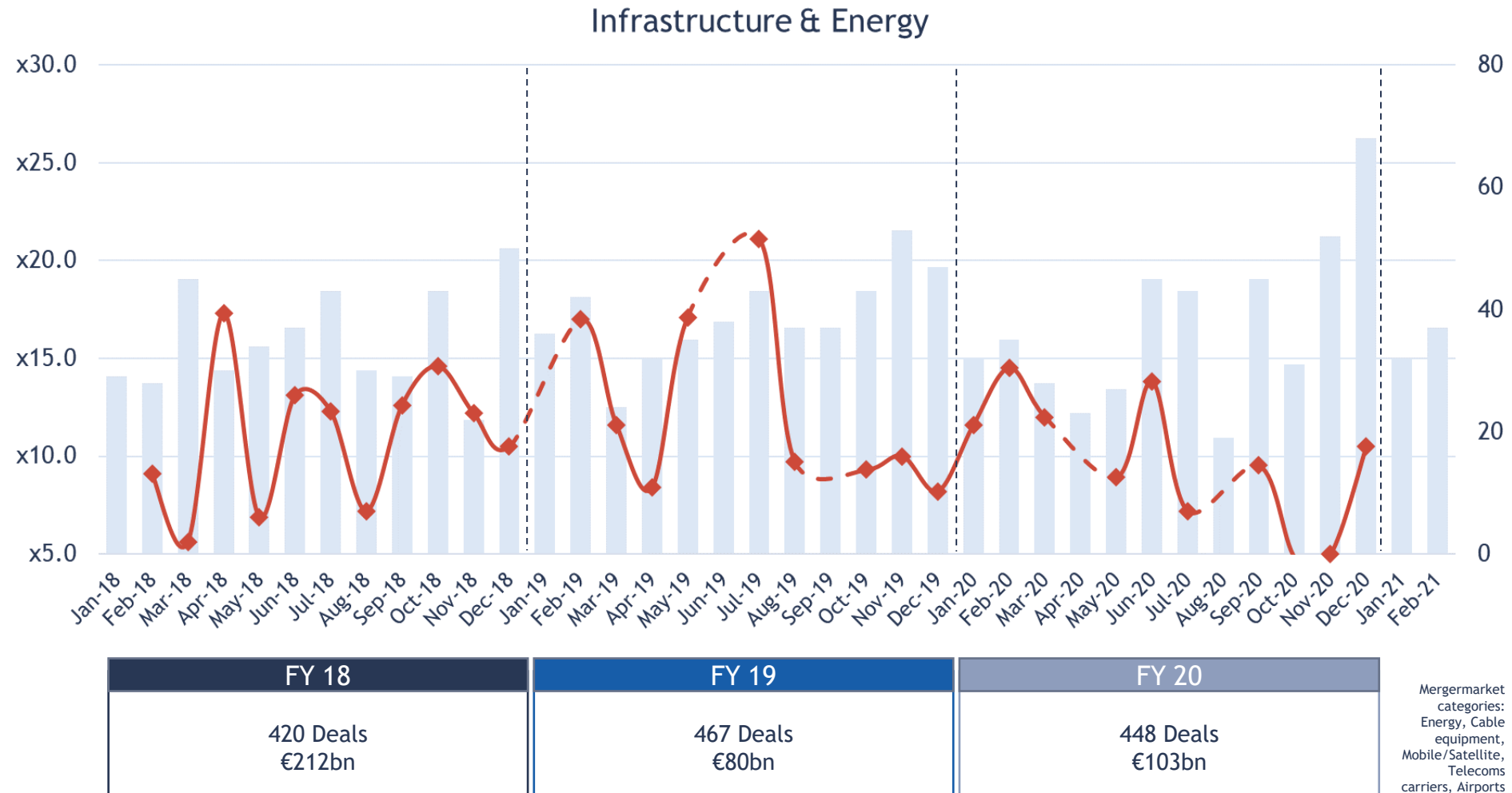
## Has C19 at least affected some sectors? Has there been any surprise?

- We have analysed four sectors:

	FY 18	FY 19	FY 20
Infrastructure & Energy	420 Deals €212bn	467 Deals €80bn	448 Deals €103bn
Digital	1,144 Deals €102bn	1,291 Deals €83bn	1,301 Deals €127bn
Hospitality	432 Deals €124bn	379 Deals €42bn	235 Deals €30bn
Healthcare & insurance	840 Deals €166bn	771 Deals €149bn	756 Deals €119bn

## Sector focus (1/4) - Has Infrastructure & Energy proved so resilient?

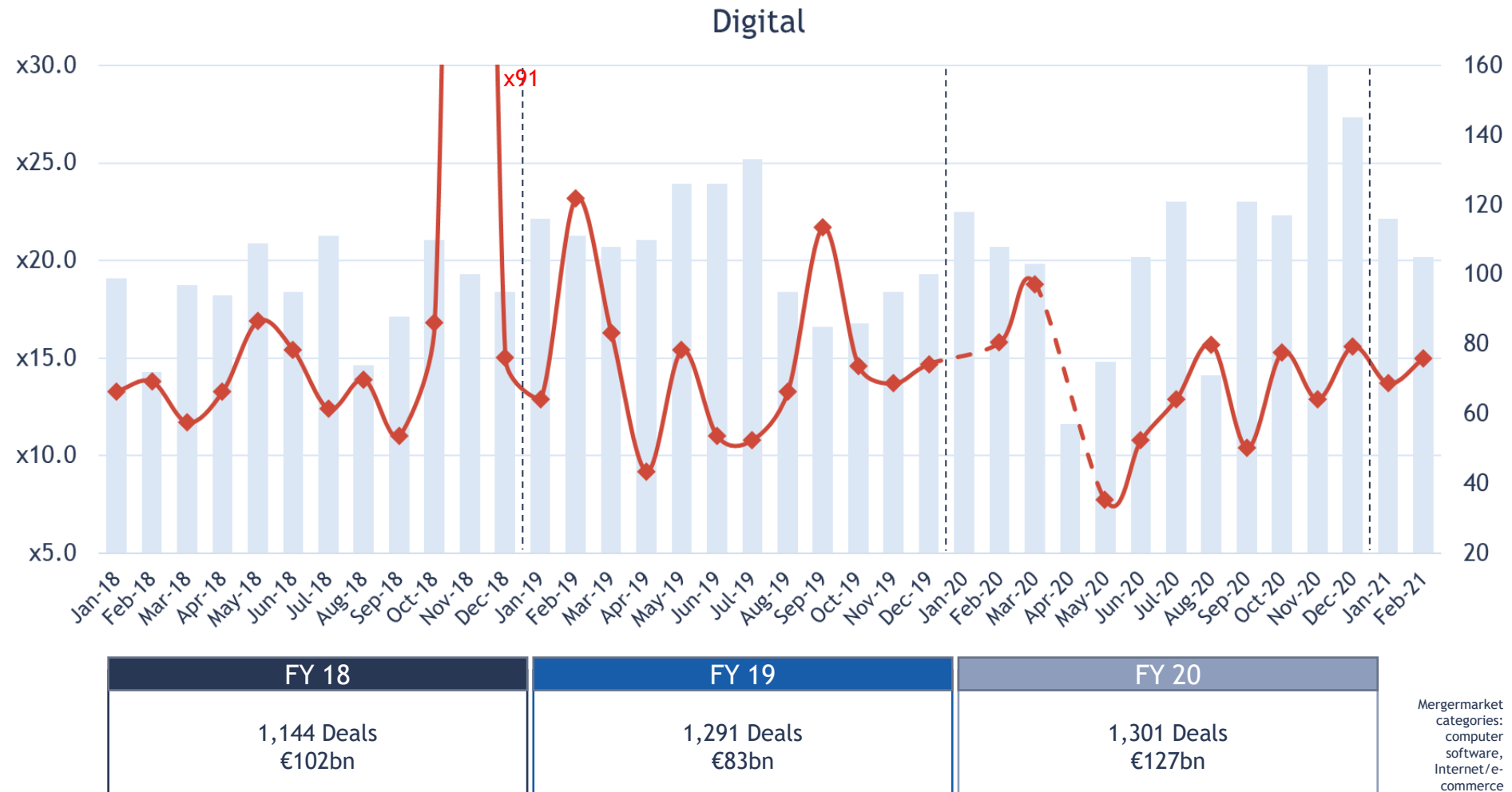
- The number of transactions is broadly stable, but deal value is significantly higher than in 2019.
- Nevertheless, multiples somewhat stooped.





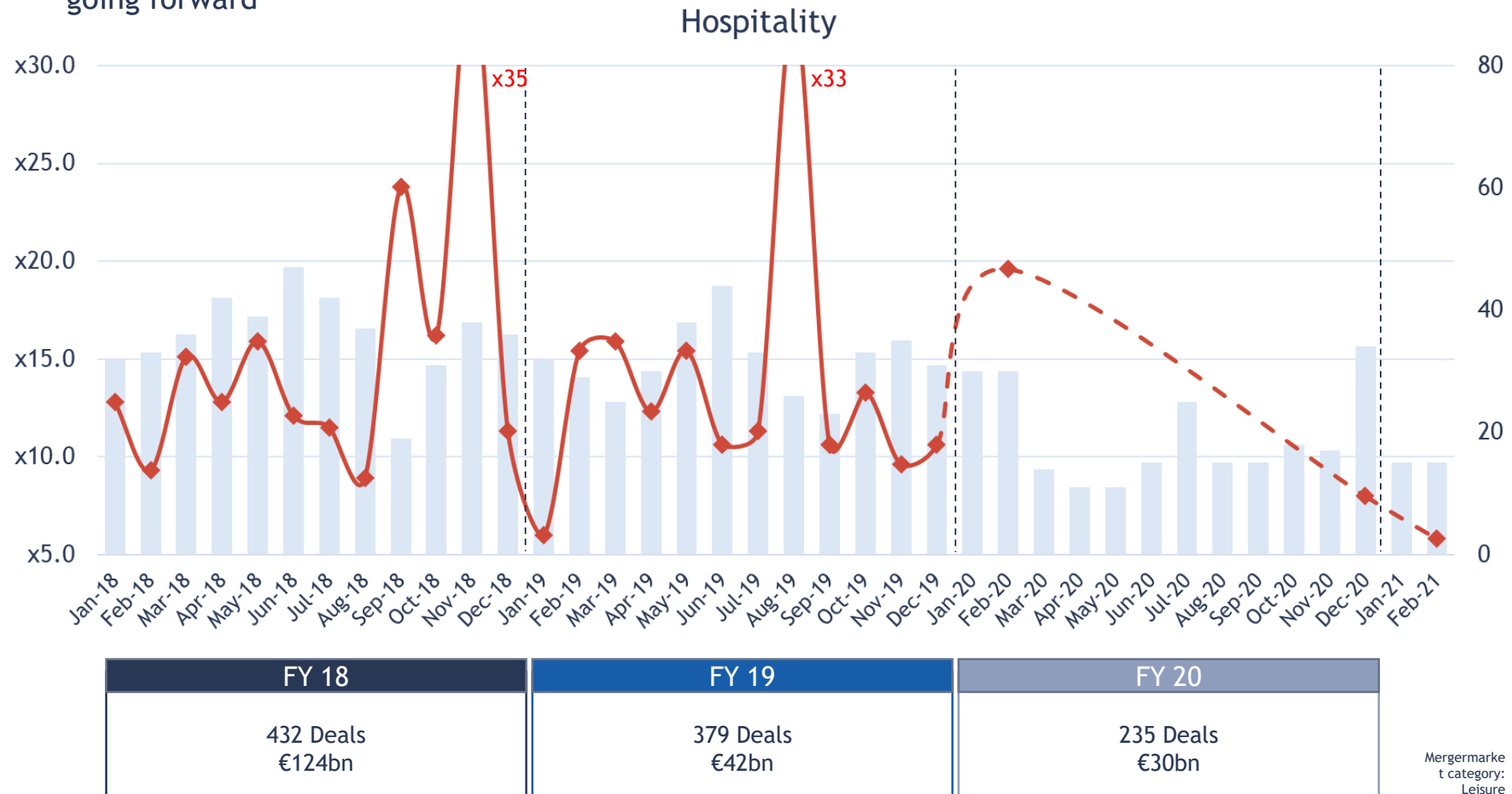
## Sector focus (2/4) - Digital: no surprise

- Unsurprisingly, Digital is the only sector to have 'benefited' from C19



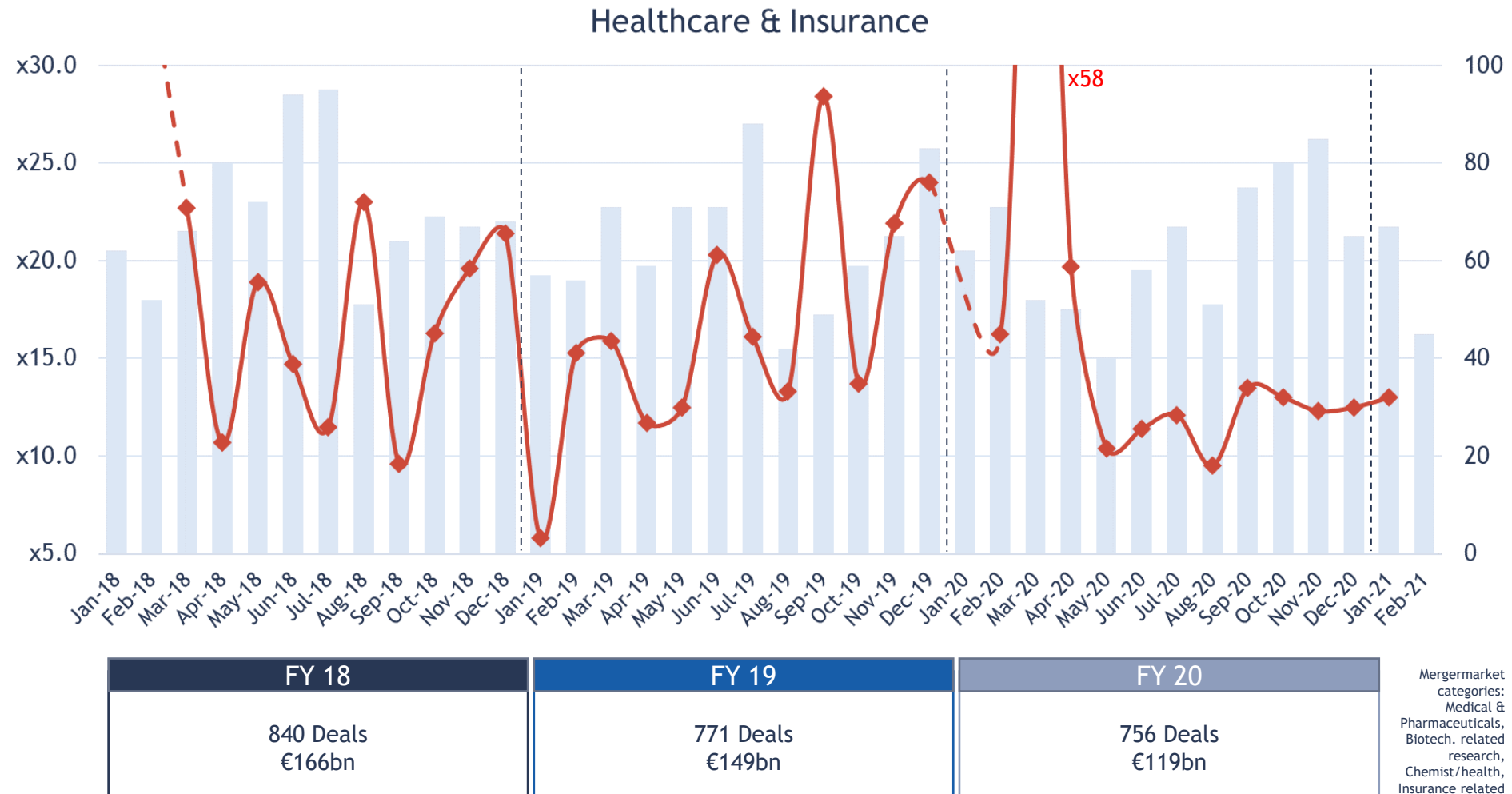
## Sector focus (3/4) - Hospitality: annus horribilis

- Also unsurprisingly, hospitality and leisure have been impacted severely.
- Few transactions took place, making it difficult to draw definitive conclusions as regards valuation going forward



## Sector focus (4/4) - Healthcare & insurance

- We would have expected this sector to 'benefit' hugely from C19.
- However, this did not happen.



## Key takeaways

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- In most sectors, asset prices remain high
  - Government support schemes have prevented liquidity crises - they even have often been extended
  - Financing (bank debt as well as bond) is still abundant and cheap
  - Owners are reluctant to adjust their valuation expectations, even though business plans have changed dramatically
  - Government increasingly scrutinize (and restrict) deals in sensitive industries
- Closing deals is complicated:
  - Businesses which were valued at 12x-15x EBITDA pre-C19 now trade at significantly higher multiples and competition between bidders is intense
  - Transactions for businesses valued at 6x to 10x pre-C19 are the hardest to close due to the wide valuation gap between buyers and sellers - imaginative structures may have to dreamt up
  - Poorly valued businesses pre-C19 still happen at stable/lower multiples
- Deal volumes, particularly in digital/tech sectors, are - unsurprisingly - on the rise, as they are - more surprisingly - in most sectors, but trends in 2021 are still to be confirmed
- We observe a disconnect between stock market valuations and transactions
- We have not seen any flight to quality
- Everyone is 'becoming digital' - but not always through M&A



63 avenue Franklin Roosevelt  
75008 Paris

Tel: +33 1 78 42 88 88

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# Comments, Questions & Answers



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## Forthcoming Events

- Wed, 09 Jun (15:00-15:45) Digital Care – One Year Into Covid And Here To Stay
- Thu, 10 Jun (16:00-16:45) Changing The World One Mistake At A Time: The Work Of The Library Of Mistakes
- Mon, 14 Jun (15:00-15:45) Post-Pandemic: The Importance Of Corporate Reorganisation, Turnaround & Insolvency In The Economic Recovery
- Tue, 15 Jun (15:30-16:15) The Usefulness Of Useful Knowledge

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