

Deal Drivers: EMEA Q3 2022

A spotlight on mergers and
acquisitions trends in **2022**

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Foreword: Slowing down

It was clear from the opening months of the year that 2022 would be no walk in the park for global M&A markets including EMEA, which has been beset by its own unique set of challenges. Over the course of the year, these systemic risks built up and this was reflected in Q3 more than any previous quarter in 2022.

Even as the winter months approach, COVID feels like a distant memory and attention has now turned to Europe's energy security in the wake of Russia's now months-long incursion in Ukraine, which has disrupted liquefied natural gas supplies into the region. There are expectations that some countries may face rolling blackouts in the last quarter of this year and the start of the next year. Already, in Germany, some manufacturing companies have halted production due to record-high energy prices.

Overall, the first three quarters of the year saw 8,279 deals which totaled €844.9bn, a 14% drop year-on-year in terms of deal volume and a 16% decline in deal value.

Inflation drags

All of this is exacerbating what was already decades-high inflation and further complicating dealmaking. Even companies that are able to grow their revenues in this environment are seeing significant impacts on their margins as costs escalate at different rates for various goods. That inflation is now beginning to embed in services, as seen in the services producer price index (SPPI). This can be a problem as many services prices, such as transport costs, tend to increase very slowly and once inflation sets in it can prove to be a lot stickier in these segments.

Europe is behind the US in its monetary tightening cycle but is already beginning to lift interest rates. The European Central Bank (ECB) raised rates by an unprecedented 75bps in its September 2022 meeting, following a 50bps rate hike in July, putting the baseline at 1.25%. This has inevitably caused a drag on growth, an increase in deal financing costs, and dampened M&A activity overall. Until a positive outcome is resolved in Ukraine, energy supplies are improved, supply chains regain greater resilience and, ultimately, price growth begins to cool, a slower pace of deals can be expected.



Outlook: EMEA heat chart

One of the standout themes of recent months is how dominant energy deals have been across EMEA M&A value. However, TMT continues to reign supreme in the volume stakes and it looks as though this will persist. Mergermarket's published "company for sale stories" in Q2 and Q3 shows the sector continuing to lead in terms of deals coming down the track and the UK & Ireland is where most of the action is expected.

This market has 177 TMT deal stories to its name, while CEE & SEE and Turkey, Middle East & Africa are not far behind with 144 and 126 apiece. All told, there are 805 stories related to assets in the sector coming to market, or 27% of all deal reports across sectors.

Similarly, these three geographic markets claim the majority of all for-sale stories. There were 557 reports regarding companies going into sales events in the UK & Ireland, followed by 515 in Turkey, Middle East & Africa, and 510 in CEE & SEE.

Industrials & chemicals (I&C) and the consumer sectors are a long way behind TMT in respective second and third positions. There were 470 I&C reports and 415 pertaining to consumer companies that may be transacted in the not-too-distant future. Technology and consumer have been especially sensitive to recent macro developments, the former on the valuation side and the latter on the revenue growth side. Acquirers may look to seize upon opportunities in the coming months.

Heat chart based on potential companies for sale

	UK & Ireland	DACH	France	Italy	Iberia	Nordics	Benelux	CEE & SEE	Turkey, Middle East & Africa	TOTAL
TMT	177	93	58	25	78	71	33	144	126	805
Industrials & chemicals	72	78	35	66	19	37	24	71	68	470
Consumer	81	34	15	73	35	19	16	86	56	415
Business services	55	26	18	22	26	18	12	37	39	253
Pharma, medical & biotech	31	60	17	16	20	31	20	28	22	245
Financial services	56	19	12	22	15	9	11	38	61	243
Energy, mining & utilities	33	15	11	19	18	14	7	32	40	189
Leisure	26	1	6	14	17	5	3	15	14	101
Transportation	5	8	1	13	8	2	1	23	36	97
Construction	9	6	6	1	9	7	2	20	19	79
Real estate	7	2		1	13	4	1	8	21	57
Agriculture		2	1		4	6		7	13	33
Defense	5			3	1	1		1		11
TOTAL	557	344	180	275	263	224	130	510	515	2,998



Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between April 01, 2022 and September 30, 2022. Opportunities are captured according to the dominant geography and sector of the potential target company.

Summary: Growth begins to show material weakness

Key equity indices have seen a downdraft through 2022. Initially this was a resetting of price-to-earnings ratios, due to risk-asset valuations getting ahead of themselves in 2021. More recently, however, company earnings have also begun to compress as inflation erodes economic demand.

This chilling effect can be clearly seen in M&A figures. Deal volume and value fell steeply in Q3. The total number of transactions was down by 36% on the same quarter last year, settling at 2,036. Aggregate value tracked down at an almost identical rate of 35% to €244.4bn.

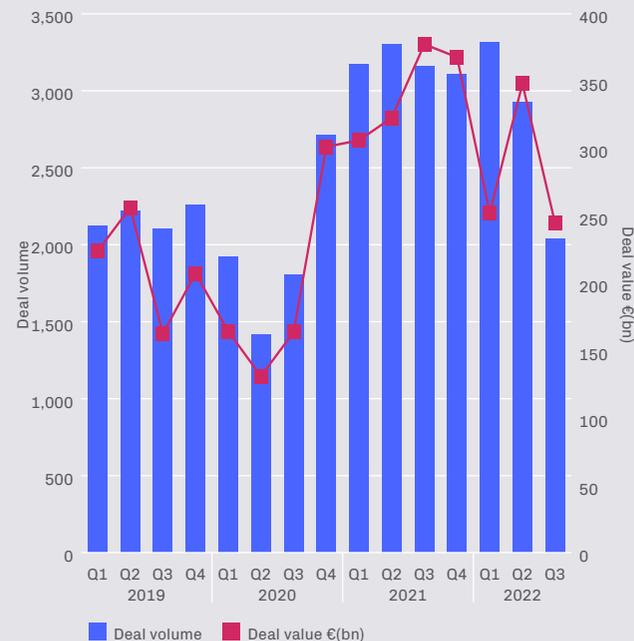
For perspective, this is the lowest volume and value seen for two years. For the time being, this is hovering just above levels prior to the pandemic, but if the current rate of declines persists over the coming months amid a possible recession, then the M&A market will be significantly underperforming the recent historic average.

Securing energy

Energy, mining & utilities (EMU) has had an exceptional quarter, trouncing all other sectors by value despite not even breaking the top five measured by volume. There was €69bn worth of EMU M&A, well ahead of the typically dominant TMT industry. No fewer than five of the top 10 largest deals of Q3 in the EMEA region were in the EMU sector and were exclusively energy and fossil fuel-related plays.

These companies have been enjoying record profits. The price of gas in particular has risen by more than 1,000% since the start of 2021 due to Russia's supply restrictions. This bewildering rate of change has seen governments step in with price caps to help populations manage their bills. Energy companies have bundles of spare cash and are making the most of this period to make acquisitions that may have previously been out of reach. However, it is not all good news. The largest EMU deal of the quarter saw Uniper, Germany's largest importer of gas, nationalized by the government in a €14bn deal after the company was squeezed by vastly reduced gas flows from Russia.

EMEA M&A activity, 2019-Q3 2022



Source: Mergermarket



TMT remains steadfast

M&A in the TMT sector has been a steadfast performer in recent times and it continues to stay well ahead of most other industries. However, even this frontrunner has not been immune to the broader softening in EMEA's deal market. Value was down by 30% on the corresponding quarter last year, to €50.8bn, coming in second place behind EMU.

On a volume basis, no other sector saw a bigger relative decline in activity, the 44% slide to 469 deals being even bigger than that seen by consumer (-41%), which is famously sensitive to inflation as purse strings are tightened and discretionary spending is reined in. Even so, TMT continued to set the pace with 469 deals. The largest of these was a sale of a 51% stake in Deutsche Telekom's tower assets. These towerco deals have been a major theme for some time in Europe. Owning this infrastructure used to be a competitive advantage for telecoms companies, the quality of mobile coverage being a crucial selling point. However, those core networks have now been built out and operators are filling in blank spots and upgrading to 5G. Hiving these towers off into separate companies frees cash on telcos' balance sheets and financial sponsors are hungry for the steady yield these assets offer.

EMEA top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	69,030
TMT	50,804
Consumer	39,604
Industrials & chemicals	38,808
Leisure	9,654

EMEA top sectors by volume | Q3 2022

	Deal count
TMT	469
Industrials & chemicals	346
Business services	291
Consumer	184
Pharma, medical & biotech	165

EMEA top bidders by value | Q3 2022

	€(m)
United Kingdom	56,432
USA	43,821
Germany	30,153
France	29,494
Canada	9,379

EMEA top bidders by volume | Q3 2022

	Deal count
United Kingdom	295
France	230
USA	222
Germany	164
Sweden	141

PE activity plummets

Private equity proved to be especially weak in Q3. Deal value plummeted by 68% to just €46.5bn. This marks the lowest point for EMEA's PE market since the pandemic nadir of Q2 2020 when lockdowns brought economic activity to a juddering halt before historic stimulus was unleashed. It is also below quarterly levels seen prior to the pandemic, a clear signal that the industry is now under significant pressure. Notably, volume held up a little more robustly with a 47% year-on-year decline to 558 deals.

This is because it is the very largest deals that are being hamstrung by an extensive tightening of financial conditions. These transactions depend on liquid debt capital markets to leverage their deals and caution has set in among investors allocating to leveraged loans and high-yield bonds. Smaller deals have so far been less affected by this tightening, being supported by a solid base of well-capitalized direct lending funds that have been willing to continue deploying senior loans for buyouts.

EMEA top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	18-Jul-22	GSK plc (Shareholders)	Haleon plc (54.5% Stake)	Consumer	GSK plc	30,490
2	22-Jul-22	Government of Germany	Uniper SE (92.78% Stake)	Energy, mining & utilities		13,957
3	14-Jul-22	Brookfield Asset Management Inc.; Brookfield Infrastructure Partners L.P.; DigitalBridge Group, Inc.	Deutsche Telekom AG (GD Towers) (51% Stake)	TMT	Deutsche Telekom AG	10,700
4	18-Sep-22	Porsche Automobil Holding SE	Dr. Ing. h.c. F. Porsche AG (25% Stake)	Industrials & chemicals	Volkswagen AG	10,099
5	19-Jul-22	Government of France	Electricite de France S.A. (16.29% Stake)	Energy, mining & utilities		9,658
6	29-Sep-22	Capricorn Energy Plc	Delek Drilling Limited Partnership (100% Stake)	Energy, mining & utilities	Delek Group Ltd.; Mubadala Investment Company P.J.S.C.	8,718
7	29-Jul-22	Polski Koncern Naftowy Orlen S.A. (PKN Orlen S.A.)	Polskie Gornictwo Naftowe i Gazownictwo S.A. (71.88% Stake)	Energy, mining & utilities	Ministry of State Treasury of the Republic of Poland	8,391
8	25-Aug-22	OpenText Corporation	Micro Focus International Plc (100% Stake)	TMT		5,870
9	07-Sep-22	EIG Global Energy Partners	Repsol S.A. (oil and gas exploration and production business) (25% Stake)	Energy, mining & utilities	Repsol S.A.	4,833
10	13-Jul-22	Unity Software Inc.	ironSource Ltd. (100% Stake)	TMT		4,531



UK & Ireland

Deal value flattens out in EMEA's top M&A market

The International Monetary Fund (IMF) forecasts GDP growth of 3.6% in the UK in 2022, slightly above the global rate of 3.2% and the best performance among the G7. However, a sharp slowdown is on the cards for 2023, with an almost flat expansion of 0.3% predicted, nearly half the organization's prior forecast of 0.5% made in July. This would see the UK lag Europe's anticipated growth rate of 0.5% next year. The pound has proven to be especially weak since the incoming government announced its mini-budget in September, sending sterling to an all-time low against the US dollar.

The Bank of England took emergency measures to buy government bonds to bring spiking yields back to more sustainable levels and prevent a blow-up of the pensions industry, which over the past decade has extensively used leveraged derivatives to hedge interest rate and inflation risks—a strategy that has backfired amid serious bond market disruptions.

US acquirers' interest is piqued

These currency woes aside, the UK & Ireland remains the largest M&A market in EMEA and in spite of deal value flatlining for the past year.

In Q3, transactions totaled €65.2bn, down 23% year-on-year, and have stayed within a €65bn-€70bn range for the past 12 months, having trended down since peaking in Q4 2020. Volume was down by 36% to 396 transactions, broadly in line with the easing off of activity across EMEA.

US bidders have been taking an interest in M&A opportunities, picking up 74 companies, but have not invested much capital considering their massive currency advantage. The pound has been trending down against the dollar since mid-2021 and US acquirers only accounted for €4.6bn of deals. Instead, France led all other foreign investor groups with €10.8bn to its name. The euro has been equally weak against the dollar so there is limited arbitrage for European buyers in the UK. Assuming the pound remains wobbly, there is a real possibility that the US will become a major buy-side contender over the coming quarters.

UK&I M&A activity, 2019-Q3 2022



Source: Mergermarket

Enterprise software

TMT was the top sector by volume and second measured by value. There were 107 such deals in Q3, a 42% decline on the corresponding period last year. These came to €16.1bn—a year-on-year gain of 52%.

The biggest TMT deal saw Nasdaq-listed Canadian enterprise information management software provider OpenText Corporation pay €5.9bn for Micro Focus International. Micro Focus will be delisted from the London Stock Exchange under the deal, which strengthens OpenText's consultancy and cybersecurity capabilities. Unlike most B2B software stocks, Micro Focus's share price never recovered from the impact of COVID and had peaked at 2,654 pence back in November 2017. OpenText offered a significant premium and yet only paid 532 pence per share, just 2.2× the company's trailing 12-month revenues and a 6.3× EBITDA multiple.

UK&I top sectors by value | Q3 2022

	€(m)
Consumer	32,299
TMT	16,067
Energy, mining & utilities	5,077
Industrials & chemicals	3,005
Business services	2,848

UK&I top sectors by volume | Q3 2022

	Deal count
TMT	107
Business services	80
Financial services	45
Industrials & chemicals	36
Consumer	32

UK&I top bidders by value | Q3 2022

	€(m)
United Kingdom	40,253
France	10,829
Canada	6,866
USA	4,634
Sweden	720

UK&I top bidders by volume | Q3 2022

	Deal count
United Kingdom	190
USA	74
Canada	19
Ireland (Republic)	19
Sweden	14

A spin-off for the books

The consumer sector surprised by claiming the most deal value in the UK & Ireland. But this was no trend or sign of an early recovery in an industry beset by inflation. Instead, GSK raised €30.5bn spinning off its consumer health division, Haleon, whose product portfolio includes Sensodyne toothpaste and Panadol painkillers. This was a landmark deal as Haleon is the world's biggest standalone consumer health business as well as one of the FTSE 100's largest companies. The listing received a lukewarm reception and the stock traded down over its first six weeks below its offering price, as markets fret over inflation and tilt away from equity markets into cash. This deal alone accounted for well over 90% of consumer sector M&A value in the UK & Ireland, which came to €32.3bn. As measured by volume, consumer was one of the weakest sectors with just 32 deals, down 44% on Q3 last year. Until inflation tops out it, is more than likely that M&A in the sector will continue to lag.

The UK & Ireland is likely to remain at the top of the EMEA M&A leaderboard by virtue of the size of its economy, its mature private equity industry, and the recent weakness in the pound which is set to attract US bidders in greater number. That said, investors will be trading carefully in light of a widening trade deficit and the recent political misstep. The recently appointed government will need to regain credibility after the bond and pension crisis that came this quarter. If there's one thing investors can't stand, it's uncertainty.

UK&I top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	18-Jul-22	GSK plc (Shareholders)	Haleon plc (54.5% Stake)	Consumer	GSK plc	30,490
2	25-Aug-22	OpenText Corporation	Micro Focus International Plc (100% Stake)	TMT		5,870
3	21-Sep-22	Schneider Electric SE	Aveva Group Plc (41.64% Stake)	TMT		4,519
4	09-Aug-22	EDF Renewables Limited	450 MW Neart na Gaoithe Offshore Wind Farm (100% Stake)	Energy, mining & utilities	NNG Windfarm Holdings Ltd.	3,184
5	26-Jul-22	Eutelsat Communications S.A.; Eutelsat S.A.	OneWeb (77% Stake)	TMT		2,776
6	21-Sep-22	Suez S.A.	SUEZ Recycling and Recovery UK Ltd. (100% Stake)	Industrials & chemicals	Veolia Environnement S.A.	2,283
7	05-Sep-22	Vistry Group plc	Countryside Partnerships PLC (100% Stake)	Construction		1,523
8	13-Sep-22	Bridgepoint S.A.S.	MiQ Digital Ltd.	TMT	ECl Partners LLP	1,038
9	14-Jul-22	KKR & Co., Inc.	Northumbrian Water Limited (25% Stake); Northumbrian Services Ltd. (25% Stake)	Energy, mining & utilities	CK Infrastructure Holdings Limited; CK Hutchison Holdings Limited; CK Asset Holdings Limited	1,024
10	23-Sep-22	Tetra Tech, Inc.	RPS Group Plc (100% Stake)	Business services		777

An aerial photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and grey. In the foreground, several tall skyscrapers with glass facades are visible, reflecting the sunset light. The city below is a dense urban area with various buildings and green spaces. A bright yellow banner is positioned in the upper left, and a white banner is in the upper right. Two orange rectangular shapes are placed horizontally across the middle of the image, overlapping the buildings.

DACH

DACH dealmaking ebbs to pandemic lows

The DACH region and Germany in particular have been heavily impacted by recent geopolitical events. The country, Europe's largest economy, is heavily reliant on Russian gas, which has been cut in response to EU sanctions brought against Russia for its invasion of Ukraine. The IMF expects to see Germany's economic growth slowing to 1.2% in 2022 due to elevated energy import prices. The closely watched forecast also put the country's growth next year at just 0.3%, substantially down from its previous forecast of 0.8%.

The producer price index (PPI), which tracks inflation from the viewpoint of industry and business, is running at an eye-watering pace, reaching 45.8% annualized in August versus the long-term average of 5.5%.

DACH M&A activity, 2019-Q3 2022



Source: Mergermarket

Large LBOs put on hold

Unsurprisingly, M&A markets have come under pressure across the wider DACH region over the past 12 months. Deal value was down by 39% compared with Q3 last year, to €56.3bn, just undershooting the regional average. It was a similar picture for deal count, which was down 40% to 302 transactions. This is the lowest point for deal flow since Q2 2020 when the initial impact of the pandemic was felt. Corporate deals showed greater resilience than private equity on the value front. There were just €5.7bn worth of PE buyouts in Q3, an annual fall of 79%, with financial sponsors taking a backseat as they take stock of the macro situation.

With a backdrop of volatile capital market valuations and debt financing restrictions, very large buyout managers are finding conditions especially challenging. This explains why PE volume has been comparatively less affected, with the 82 deals in Q3 representing an annual fall of 59%.

DACH top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	16,428
TMT	15,767
Industrials & chemicals	15,720
Consumer	2,515
Pharma, medical & biotech	2,267

DACH top sectors by volume | Q3 2022

	Deal count
TMT	78
Industrials & chemicals	76
Business services	33
Pharma, medical & biotech	30
Consumer	21

DACH top bidders by value | Q3 2022

	€(m)
Germany	101
Switzerland	34
USA	33
France	18
United Kingdom	17

DACH top bidders by volume | Q3 2022

	Deal count
Germany	26,670
USA	16,191
Mexico	2,444
Japan	2,312
Italy	1,047

A major rescue deal

The EMU sector just squeaked past TMT to the top position for M&A across the DACH region. This would not have been the case if not for the Uniper rescue deal the government made as a matter of national security, as the gas importer neared insolvency. The €14bn deal ensured EMU M&A value came to €16.4bn, up no less than 1,306% year-on-year. This was clearly a special case and the sector was otherwise a laggard: volume came in seventh place with just 15 deals in the third quarter.

The next largest deal in the region in Q3 saw Brookfield Infrastructure Partners and DigitalBridge Group take a 51% stake in Deutsche Telekom's German and Austrian towers, bundled as GD Towers, for €10.7bn. The proceeds allowed the German telco to deleverage its balance sheet and pursue a 50.1% targeted stake in T-Mobile US. While European telecoms operators have been keen to divest themselves of their infrastructure assets to financial investors, it is not uncommon to see them retain sizable interests in order to benefit from the capital gains of these in-demand assets.



DACH top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	22-Jul-22	Government of Germany	Uniper SE (92.78% Stake)	Energy, mining & utilities		13,957
2	14-Jul-22	Brookfield Asset Management Inc.; Brookfield Infrastructure Partners L.P.; DigitalBridge Group, Inc.	Deutsche Telekom AG (GD Towers) (51% Stake)	TMT	Deutsche Telekom AG	10,700
3	18-Sep-22	Porsche Automobil Holding SE	Dr. Ing. h.c. F. Porsche AG (25% Stake)	Industrials & chemicals	Volkswagen AG	10,099
4	05-Jul-22	Fomento Economico Mexicano S.A.B. de C.V.	Valora Holding AG (100% Stake)	Consumer		2,444
5	01-Jul-22	NielsenIQ	GfK SE (100% Stake)	TMT	KKR & Co., Inc.; GfK Verein	2,395
6	30-Sep-22	Hitachi, Ltd.	Hitachi Energy Ltd. (19.9% Stake)	Industrials & chemicals	ABB Ltd.	1,725
7	12-Sep-22	AmeriSourceBergen Corporation	PharmaLex GmbH (100% Stake)	Pharma, medical & biotech	AUCTUS Capital Partners AG	1,280
8	28-Jul-22	Athena Consumer Acquisition Corp	Next.e.GO Mobile SE (100% Stake)	Industrials & chemicals		1,086
9	15-Sep-22	Ariston Holding N.V.	CENTROTEC Climate Systems GmbH (100% Stake)	Industrials & chemicals	Centrotec SE	1,007
10	15-Aug-22	Public Investment Fund; Cain International Advisers Limited	Aman Group Sarl (30% Stake)	Leisure		882

Swiss made

Three of the top 10 largest DACH deals were Swiss. The largest of these was unusual because it had a Mexican acquirer. Fomento Economico Mexicano, the largest Latin American convenience stores operator with around 20,000 outlets, bought Valora for €2.4bn and marked its entry into the European market. Valora has about 2,700 small-scale points of sale located at busy locations in Switzerland, Germany, Austria, Luxembourg, and the Netherlands. The company will retain its branding and become the retail arm of Femsas's proximity division in Europe. The remaining two Swiss deals to make it into the DACH top 10 were industrial and automation group ABB's sale of its remaining 19.9% stake in its Hitachi Energy joint venture to Hitachi for €1.7bn, and Public Investment Fund and Cain International Advisers' €882m investment in luxury hotel group Aman, in exchange for a 30% stake. Aman has 34 hotels in 20 countries and a further nine properties under development, including in Saudi Arabia and the US.

Although the DACH region's deal market has come down significantly since last year, 2021 was a standout that most geographies will not see repeated any time soon. M&A value was actually up in Q3 on the previous two quarters and remained above pre-pandemic levels. This is a remarkable feat considering the circumstances. In the near term, M&A is likely to be subdued as investors wait out the effects of the energy situation through the winter, with potential for ongoing distressed investment in the stricken gas sector and further, smaller nationalizations.

A photograph of a modern cityscape at dusk. The central focus is a tall, curved skyscraper with a glass facade that reflects the sky and surrounding buildings. To its right, a large, white, curved building with a grid of windows is visible. In the foreground, a multi-level highway interchange with a red pedestrian bridge is shown. The sky is a clear, light blue, and the overall scene is illuminated by the soft light of twilight. There are several orange and yellow rectangular overlays on the image: a white one in the top left, an orange one in the middle left, another orange one in the middle right, and a yellow one in the top right containing the text 'France'.

France

France holds up well amid regional slowdown

France's economy is expected to post growth of 2.5%, according to the IMF, and by some estimates this will more than halve to just 1.0% in 2023. Surging energy prices in Europe have increased the cost of living, though this has been less prominent in France where everyday inflation has been closer to 5% compared with countries like Denmark, Estonia, the Netherlands, and the UK where the rate has been twice this rate or more. This is because the country derives over 75% of its electricity from nuclear energy due to a long-standing policy based on energy security, which has stood it in good stead amid current events.

M&A succumbed to the same macro pressures that other markets are contending with but not to the same extent: value and volume fell by 24% and 35% year-on-year to €27.1bn and 219 deals, respectively.

This was a relatively robust performance. Over the course of 2022 deal value has actually been gradually increasing following a steep drop-off at the start of the year.

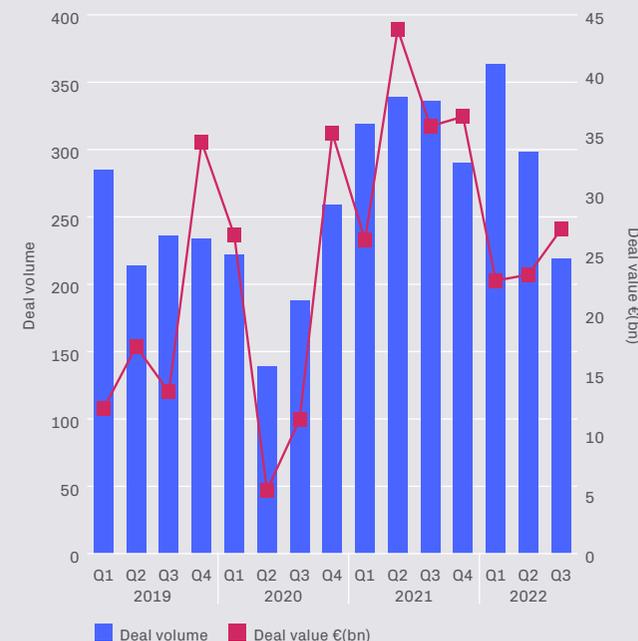
TMT stays ahead

TMT was the strongest volume performer, accounting for 49 transactions, albeit this represented a 45% decline on Q3 last year. Value was down by as much as 80% over the same period to just €2.6bn, putting it on a virtually equal pegging with I&C, financial services, transportation, and pharmaceuticals, medical & biotech (PMB).

The largest of these deals claimed around half of total sector value—the spin-off of Technicolor's visual effects, animation, and gaming division, Technicolor Creative Studios, valued at €1.28bn. Under the deal, 65% of the new company's shares were distributed to Technicolor shareholders, while Technicolor retained 35% and was renamed Vantiva. Both trade on the Euronext Paris.

The Vantiva deal was the only TMT transaction in the top 10 largest French deals in Q3. The next biggest transaction was a €391.7m investment round in Content Square, a marketing technology firm, led by KKR.

France M&A activity, 2019-Q3 2022



Source: Mergermarket

The nuclear option

This would not be the case in Q3 if not for the French government's landmark decision to take full control of EDF, a move that mirrors Germany's decision to do the same with Uniper. Europe's biggest nuclear power operator was already 84% state-owned prior to the deal, which was valued at €9.7bn. France has said the nationalization will increase the security of its energy reserves and give the government greater license to restructure the group's debts. EDF has been struggling with power outages at its nuclear plants and power tariff caps imposed to shield consumers from soaring electricity prices.

The heavy weighting towards nuclear has meant France has been slower to act on building out its renewables capacity. The government had set renewables a target of 23% of its energy mix by 2020 but only managed to reach 19%. That left the country in 17th position in the European Union, below the average of 22% in the bloc of 27 countries. The country is committed to progress and this political will to advance the agenda has been acknowledged by French PE house Ardian, which made a €1.4bn purchase of decentralized energy business GreenYellow in Q3.

France top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	11,131
Industrials & chemicals	2,676
TMT	2,626
Financial services	2,485
Transportation	2,250

France top sectors by volume | Q3 2022

	Deal count
TMT	49
Industrials & chemicals	41
Business services	32
Construction	20
Pharma, medical & biotech	20

France top bidders by value | Q3 2022

	€(m)
France	15,349
USA	3,007
Singapore	2,250
Canada	2,083
Italy	1,258

France top bidders by volume | Q3 2022

	Deal count
France	137
USA	18
United Kingdom	12
Italy	10
Netherlands	6



Industrials & chemicals stay solid

The I&C sector put in a solid performance, coming in second place by volume and value and proving to be more consistent year-on-year than most other industries. Deal count was down 32% to 41 transactions compared with last year and value down 22% to €2.7bn. NYSE-listed US industrial group Hillenbrand paid €572m to fully buy out LINXIS Group from PE firm IK Investment Partners in the largest French I&C deal of the quarter. LINXIS owns six brands—Bakon, Diosna, Shaffer, Shick Esteve, Unifiller, and VMI—that supply processing and automation equipment for the food, pharma, and cosmetic industries that are complementary to the products offered under Hillenbrand’s Coperion brand.

Whether French industrial and manufacturing activity can remain as consistent as M&A activity in the future is debatable. Like many other countries, the S&P Global France Manufacturing PMI dropped to 47.7 in September 2022 from 50.6 in the prior month, revised downwards from the preliminary estimate of 47.8. Sub-50 scores are often a harbinger of recession.

Like so many other markets, the outlook for French M&A has materially weakened and activity across sectors is likely to remain at around current levels until inflation settles and demand picks back up, which largely hangs on the outcome of current geopolitical tumult.

France top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	19-Jul-22	Government of France	Electricite de France S.A. (16.29% Stake)	Energy, mining & utilities		9,658
2	28-Sep-22	SATS Ltd.; SATS International S.A.S.	WFS Global Holding S.A.S. (100% Stake)	Transportation	Cerberus Capital Management, L.P.	2,250
3	01-Aug-22	Caisse de Depot et Placement du Quebec	Akiem S.A.S. (100% Stake)	Financial services	SNCF Group; DWS Group GmbH & Co. KGaA	2,000
4	28-Jul-22	Ardian	GreenYellow S.A.S. (100% Stake)	Energy, mining & utilities	Casino Guichard Perrachon S.A.; Tikehau Capital Partners; Bpifrance S.A.	1,400
5	27-Sep-22	Technicolor S.A. (Shareholders)	Technicolor Creative Studios (65% Stake)	TMT	Technicolor S.A.	1,285
6	29-Jul-22	European Camping Group	Vacanceselect (100% Stake)	Leisure	Permira Advisers LLP; Batipart S.A.S.; Olivier Ganivenq (Private Individual); Gilbert Ganivenq (Private Individual)	980
7	28-Jul-22	Platinum Equity, LLC	Imerys (high temperature solutions business) (100% Stake)	Construction	Imerys S.A.	930
8	01-Jul-22	Exor N.V.	Merieux Alliance (10% Stake)	Pharma, medical & biotech		833
9	20-Jul-22	Hillenbrand Inc.	LINXIS Group (100% Stake)	Industrials & chemicals	IK Partners	572
10	11-Jul-22	Latour Capital FCPR; Bpifrance S.A.	Hygie31 Holding S.A.S. (100% Stake)	Consumer	Five Arrows Principal Investments	500



Nordics

Northern Europe shows steepest value decline in EMEA

Economic growth in the Nordics is expected to moderate through the remainder of this year and into 2023. Regional inflation accelerated at the beginning of Q3, to 8.3% in August, largely caused by intensifying price pressures in Denmark and Sweden, which outweighed easing price increases in Finland, Iceland, and Norway. The Nordics showed the weakest annual M&A value performance in Q3 of any market in the EMEA region.

Total deal value collapsed by 77% on the year to just €9.8bn, a point not seen since the pandemic low of Q1 2020. Volume was also down, by 37% to 296 transactions.

The EMU sector was one of the few which saw a surge in deal activity, at least on the value side. Although the number of deals stayed more or less flat compared to the previous year, with 24 deals in Q3 2022 compared to 25 deals in Q3 2021, their total value totaled €3.2bn—a rally of 1,181% year-on-year, largely because of the absence of such deals in the corresponding period a year ago.

Nordics M&A activity, 2019-Q3 2022



Source: Mergermarket

Traditional energy

In what was the largest M&A deal in the Nordics across all sectors, US engineering firm Schlumberger and Norway’s Aker Solutions merged their subsea oil and gas construction businesses and brought a third rival, Oslo-listed Subsea 7, in on the transaction. The deal will leave Schlumberger with a 70% stake in the planned joint venture while Aker Solutions gets 20% and Subsea 7 10%. The combined business will have approximately 9,000 employees globally, and the estimated synergy potential is more than USD\$100m per year in the medium term.

As much as 40% of Norway’s exports stem from the petroleum sector and it is the 15th largest oil producer in the world. While many of its European trading partners have been moving to renewables as fast as possible in recent years, the Ukraine conflict has given renewed impetus to energy security.

A further three of the top 10 largest Nordic M&A deals in Q3 were in the EMU sector. Nordkraft and Trollfjord merged Andøy Energi’s grid business into their own in a transaction worth €640m, consolidating electricity provision in the Vesterålen region.

Nordics top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	3,195
TMT	3,086
Industrials & chemicals	2,600
Financial services	300
Pharma, medical & biotech	231

Nordics top sectors by volume | Q3 2022

	Deal count
TMT	65
Industrials & chemicals	52
Business services	42
Construction	25
Pharma, medical & biotech	24
Energy, mining & utilities	24

Nordics top bidders by value | Q3 2022

	€(m)
Sweden	2,963
USA	2,932
Norway	1,315
Germany	867
Singapore	608

Nordics top bidders by volume | Q3 2022

	Deal count
Sweden	93
Norway	61
Denmark	30
USA	26
Finland	26

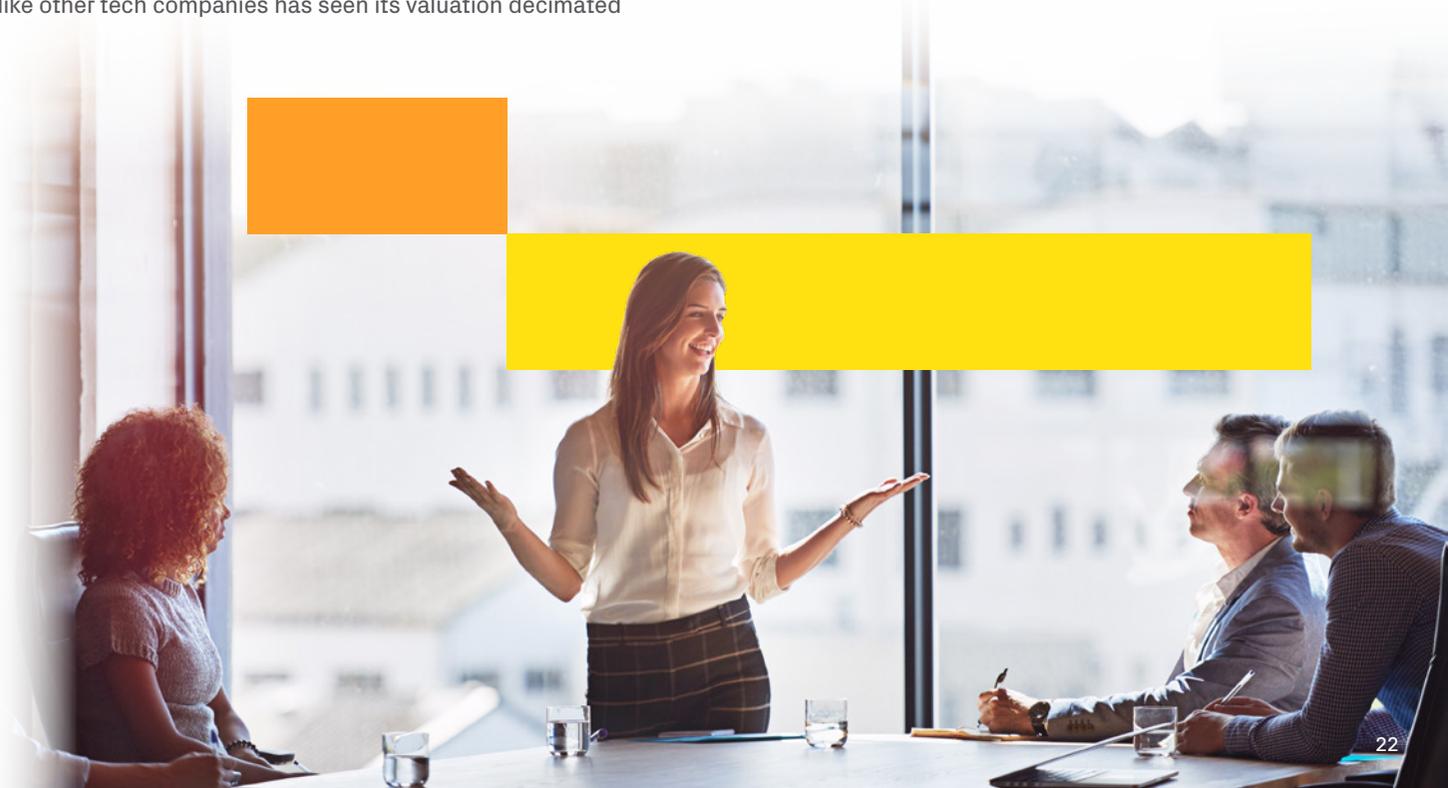
Tech valuations reset

TMT followed EMU as the second-highest value sector and the clear leader by closed deals. There were 65 transactions, down 47% on the year, with €3.1bn spent.

The biggest TMT play in Q3, and the third-largest transaction across the Nordics, came when Sequoia Capital, CPPIB, Mubadala Capital, and Silver Lake Partners invested €792m in a “down round” for Swedish shop now, pay later fintech Klarna at an approximately €6.7bn post-money valuation. The company was priced at \$45.6bn as recently as June 2021 but like other tech companies has seen its valuation decimated

amid inflation and monetary tightening, which are especially punitive for technology assets valued using discounted cash flow models. Klarna’s peers have seen similar 80-90% devaluations over the same timeframe.

Speaking on the deal Michael Moritz, Klarna’s chair and a partner at Sequoia, blamed “investors suddenly voting in the opposite manner to the way they voted for the past few years.” He predicted that “after investors emerge from their bunkers, the stocks of Klarna and other first-rate companies will receive the attention they deserve.”



Nordics top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	30-Aug-22	Subsea 7 Inc.; Schlumberger Ltd. (subsea businesses)	Aker Solutions ASA (subsea businesses) (100% Stake)	Energy, mining & utilities	Schlumberger Limited; Aker Solutions ASA	1,399
2	31-Aug-22	Existing Shareholders	Alleima AB (100% Stake)	Industrials & chemicals	Sandvik AB	1,004
3	11-Jul-22	Commonwealth Bank of Australia; Silver Lake Partners; Canada Pension Plan Investment Board; Sequoia Capital; Bestseller A/S; Sebastian Siemiatkowski (Private Individual); Niklas Adalberth (Private Individual); Victor Jacobsson (Private Individual); Mubadala Investment Company P.J.S.C.	Klarna Bank AB (publ) (11.94% Stake)	TMT		792
4	19-Sep-22	Instabox AB	Budbee Holding AB (100% Stake)	TMT		703
5	24-Jul-22	Schaeffler AG	Ewellix AB (100% Stake)	Industrials & chemicals	Triton Partners	702
6	07-Jul-22	Trollfjord Kraft A.S.; Andoy Energi A.S.	Nordkraft A.S. (grid and production businesses) (100% Stake)	Energy, mining & utilities	Nordkraft A.S.	640
7	13-Jul-22	Muenchener Rueckversicherung Gesellschaft Aktiengesellschaft; Keppel Corporation Limited; KLP; MEAG MUNICH ERGO Asset Management GmbH; Cityspring Infrastructure Management Pte. Ltd.; Keppel Infrastructure Fund Management Pte. Ltd.	Fred. Olsen Renewables (windfarms in Norway, Sweden & the UK and Sweden) (49% Stake)	Energy, mining & utilities	Fred. Olsen Ltd.	480
8	05-Aug-22	Sval Energi A.S.	Suncor Energy Norge A.S. (100% Stake)	Energy, mining & utilities	Suncor Energy Inc.	311
9	12-Jul-22	Nordic Capital	Riskpoint A.S.	Financial services		269
10	26-Sep-22	Ratos AB	Semcon AB (100% Stake)	TMT	JCE Group AB; Samson Rock Capital LLP; Nordea Investment Management AB; Otus Capital Management Ltd.; Ennismore Fund Management Ltd.	259

Uncertain future

Nordic M&A shows large swings and this was the case long before COVID. Like much of the globe, Nordic economies are expected to see dramatically reduced GDP growth next year, although at 2.6% and 2.9%, respectively, according to the IMF, Norway and Iceland's economies are expected to see greater expansion than Europe overall, which is forecast to expand by only 0.3%. Denmark and Finland's expected GDP growth rate is closer to the European average, at 0.6% and 0.5%, respectively. However, the largest economy in the region, Sweden, is forecast to see its economy shrink by 0.1%.

The mixed macro picture will likely mean that there is more pain to endure for the M&A market as capital markets attempt to find a bottom and monetary tightening slows economies, although a bounceback could occur sometime in 2023. Just like the euro and pound, Nordic currencies have come under pressure over the past 18 months versus the dollar, so US buyers could become a more common occurrence over the coming months. Moreover, the need to wean off Russian gas could further spur investment in Norway's energy sector.



Italy

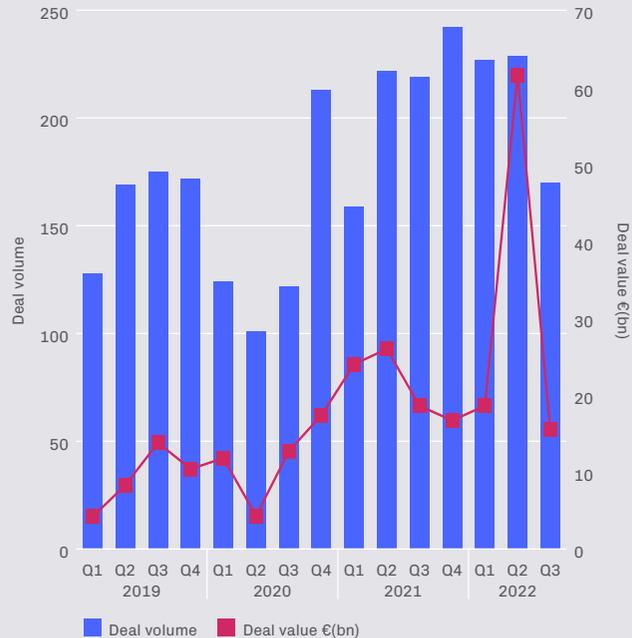
Italy surprises with softer slowdown

The Italian economy is projected to expand by a respectable 3.2% in 2022; however, next year is not looking so rosy. The IMF recently revised its forecast down to just 0.2% for the country, while the business association Confindustria downgraded its expectation to zero.

Like Germany, Italy is heavily reliant on Russian gas; therefore, the war is feeding into price rises. In September, Italian European Union-harmonized consumer prices accelerated to 9.5% for the year from 9.1% in August. Yet, for the time being Italian M&A has held up better than most EMEA markets.

The number of deals came to 170 in Q3, a 22% shortfall on the same period last year, while value clocked in at €15.5bn, down by only 17%. Notably, private equity sponsors have continued to be active, the number of buyouts falling by only 9% to 50.

Italy M&A activity, 2019-Q3 2022



Source: Mergermarket

Big buyouts can still succeed

I&C led Italian M&A by both volume and value in Q3. The sector even posted an annual gain of 65%, with €5.6bn worth of assets changing hands, despite the fact that the number of deals dropped by 31% to 43 deals compared to the third quarter of 2021.

Private equity firms made their presence felt among the top 10 deals, on the buy-side and sell-side. This included the largest I&C deal. BC Partners and Bain Capital took joint control of Fedrigoni, a maker of self-adhesive labels and fiber-based packaging products for €3bn. The company has made a clear commitment to ESG and is looking to benefit from proposed sustainability rules as the EU looks to force packaging to be reusable or recyclable by 2030. No other Italian deal made it above the €1bn watermark in Q3. The next largest I&C deal was worth a modest €600m and involved PE firms Chequers Capital, NB Renaissance Partners, and Galileo Quattro exiting their holdings in bio-stimulant fertilizer manufacturer Biolchim Group to JM Huber Corporation.

Italy top sectors by value | Q3 2022

	€(m)
Industrials & chemicals	5,585
Leisure	3,910
TMT	2,055
Financial services	1,016
Consumer	975

Italy top sectors by volume | Q3 2022

	Deal count
Industrials & chemicals	43
Consumer	35
TMT	25
Business services	20
Energy, mining & utilities	11

Italy top bidders by value | Q3 2022

	€(m)
United Kingdom	4,647
Switzerland	3,865
Italy	3,085
USA	1,955
France	887

Italy top bidders by volume | Q3 2022

	Deal count
Italy	104
United Kingdom	16
France	13
USA	8
Germany	7

Betting on travel

Q3's largest M&A deal was a rare leisure deal that thrust the sector into second place. Swiss duty-free shopping group Dufry bid €3.9bn for caterer Autogrill, creating the world's largest travel stores operator, with 5,500 outlets in 1,200 airports and highway locations. The Benetton family's holding company, Edizione, passed its 50% stake in the business to Dufry, becoming a 25% shareholder in the combined business. Both companies' revenues were heavily dented by the pandemic and Dufry had been looking for ways to grow internationally. Although the deal made leisure one of the highest value sectors for M&A in Italy, there were only 62 deals recorded in all, and just three of these had disclosed value.

The future of luxury

The luxury industry has long been a highlight of the Italian economy. Although the consumer sector saw aggregate value nearly halve from €1.9bn to €975m year-on-year, the volume of deals held up well—there were 35 transactions in Q3 2022, just one down from the 36 announced in the same quarter of the previous year.

The largest transaction of the quarter was the €338m sale of a 25.55% stake in luxury leather goods company Tod's to holding companies controlled by founder Diego Della Valle and his brother, Andrea Della Valle.



Italy top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	11-Jul-22	Dufry Group	Autogrill S.p.A. (100% Stake)	Leisure	Edizione S.r.l.	3,865
2	26-Jul-22	BC Partners LLP; Bain Capital, L.P.	Fedrigoni Group (100% Stake)	Industrials & chemicals	Bain Capital, L.P.	3,000
3	24-Aug-22	Farfetch UK Limited; Alabbar Enterprises	YOOX Net-A-Porter Group (YNAP) (50.7% Stake)	TMT	Compagnie Financiere Richemont S.A.	694
4	08-Aug-22	J.M. Huber Corporation	Biolchim-Cifo Group S.p.A. (100% Stake)	Industrials & chemicals	Chequers Capital; NB Renaissance Partners; Galileo Quattro SARL	600
5	13-Sep-22	Aptiv PLC	Intercable Automotive Solutions S.r.l. (85% Stake)	Industrials & chemicals	Intercable S.r.l.	595
6	18-Jul-22	ASM International N.V.	LPE SpA (100% Stake)	TMT		529
7	27-Jul-22	CNP Assurances S.A.	Aviva S.p.A (49% Stake)	Financial services	UniCredit Group	500
8	04-Aug-22	CVC Advisers Ltd.; Existing Management; CDP Equity S.p.A.	Maticmind S.p.A. (100% Stake)	TMT	Fondo Italiano d'Investimento SGR S.p.A.	500
9	08-Aug-22	United Parcel Service, Inc.	Bomi Italia S.p.A. (100% Stake)	Transportation	ArchiMed S.A.S.	490
10	29-Jul-22	ERG S.p.A.	EDPR (172 MW Italian wind portfolio) (100% Stake)	Energy, mining & utilities	EDP Renovaveis, S.A.	420

TMT stands strong

Another deal which illustrates the changes the luxury market is undergoing also took place in Q3, albeit in the TMT sector. Luxury online fashion powerhouse Farfetch acquired Swiss luxury group Richemont's 47.5% stake in Yoox Net-a-Porter, as it looks to dominate the global e-commerce of high-end fashion. Emirati businessman Mouza Alabbar also took a 3.2% stake in the deal alongside Farfetch via Alabbar Enterprises, his parent company for a variety of retail e-commerce franchise operations, mostly across the Middle East. The deal was valued at €694m and contributed around a third of Italy's total TMT M&A value in Q3, which was down by as much as 76% to €2.1bn. Volume, meanwhile, declined by 26% to just 25 deals.

Semiconductors have been a major talking point over the past two years as supplies have become heavily disrupted. Dutch firm ASM International plays a key role in the industry by designing and manufacturing equipment to produce semiconductor devices for wafer processing. In July, the company announced the takeover of Italy's LPE, a manufacturer of reactors for silicon and silicon carbide, for €529m.

Clearly, Italy is facing significant macro challenges as it heads toward 2023 and growth is expected to be more or less flat. Nevertheless, investors continue to be drawn to its wealth of first-rate, often family-owned, and highly technical manufacturing businesses. This has made it an attraction for private equity funds in particular. Provided they can access financing, they should continue to pursue select opportunities and likely at attractive entry prices.



Iberia

Iberia shows deal decline after a strong start to the year

The Iberia region was deeply impacted by the pandemic: Spain experienced one of the largest contractions among major advanced economies in 2020 due to its reliance on tourism and contact-intensive service sectors. It also had a strong policy response to lift growth, which is now subsiding.

The IMF recently projected growth of 4.3% for 2022, above the EU average, but this is expected to slow to just 1.2% in 2023 as a result of increased uncertainty, the rise in inflation expectations, and attendant increase in interest rates. According to the Bank of Spain, the country will not fully recover economic output lost to the pandemic until 2024, unlike Italy, France, and Germany which have already done so.

The Iberia market had its first real contraction in deal activity in Q3, with investors having continued apace through the first half of 2022 even as other markets had already begun to soften. Deal value was down 37% to €12.6bn and volume down 43% to 156 transactions on the same period last year.

Energy tops value table

The largest M&A in Iberia by some distance involved EIG Global Energy Partners taking a 25% stake in Repsol Upstream, a newly formed global exploration and production company comprising Repsol's entire global upstream oil and gas business, for €4.8bn. The company, which is expected to produce nearly 590,000 barrels of oil equivalent per day, has estimated proven and probable reserves of 2.3 billion barrels. The deal is just one of many examples of a major fossil fuel company divesting assets to point itself in a new strategic direction. Proceeds from the sale will be used by Repsol to invest in the energy transition, specifically to increase renewable power generation, renewable fuels, and circular products segments.

This deal ensured that the EMU sector topped the table, with €5.6bn invested in total—a year-on-year rise of 48%. Conversely, there were only 18 deals in the sector and the 60% annual fall was the steepest of any industry in Iberia. The region has been a leader in renewable energy, and the next largest deal in the sector is reflective of that. The €500m acquisition saw Wenea Mobile Energy, which operates electric car charging stations, taken over by Vortex Energy, an UAE-based renewable energy investment group.

Iberia M&A activity, 2019-Q3 2022



Source: Mergermarket



Telecoms and software

TMT was given a boost by French bank Credit Agricole and Vauban Infrastructure Partners' €1bn purchase of a 45% stake in Telefonica's fiber network that serves about three million homes in smaller villages in rural Spain. The aim of the investment, which has been structured as a joint venture known as Bluevia Fibra, is to upgrade the fiber optic infrastructure and phase out the old copper cable network by 2024. It's a strategy that Telefonica has employed in other parts of the world. The Spanish telco set up independent fiber infrastructure companies in Colombia and Chile in partnership with US investor KKR, with a 40-60 split in each. No other deal in Iberia was valued north of €1bn.

The next largest transaction was French IT firm Cegid's €500m acquisition of Grupo Primavera, a provider of B2B software, from PE investor Oakley Capital.

These two deals accounted for the lion's share of the total €2.2bn in TMT M&A in Q3, which represented no less than a 726% increase and put the sector in second place by value after EMU. Meanwhile, by volume TMT led with 29 deals, a fall of 38% on Q3 last year.

Iberia top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	5,620
TMT	2,166
Consumer	1,456
Leisure	1,355
Business services	566

Iberia top sectors by volume | Q3 2022

	Deal count
TMT	29
Business services	27
Consumer	19
Industrials & chemicals	18
Energy, mining & utilities	18

Iberia top bidders by value | Q3 2022

	€(m)
USA	5,093
Spain	2,655
United Kingdom	1,274
Netherlands	906
France	869

Iberia top bidders by volume | Q3 2022

	Deal count
Spain	52
United Kingdom	23
France	21
USA	11
Germany	8

The future is green

The cost of living crisis and weakening consumer demand are likely to slow M&A in Iberia just like other EMEA markets. However, there could still be pockets of activity with financial sponsors continuing to deploy opportunistically and in situations in which they can tap debt financing.

The ongoing restructuring and repositioning of the telecoms and energy sectors continues to deliver transactions even as growth is slowing. These are long-term, secular trends that are backstopping otherwise lower appetite for deals until economic conditions become more favorable.

The energy transition could also spur further investment in Iberia's renewables industry and fuel outbound investment. Spanish firm Iberdrola in particular has been a leader in this space. In 2020, the company announced a plan to invest €75bn by 2025 in the energy transition.

Overall, Iberia's green energy capabilities are impressive—renewables made up 59% and 47% of the energy mix in Portugal and Spain in 2021, respectively.

Iberia top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	07-Sep-22	EIG Global Energy Partners	Repsol S.A. (oil and gas exploration and production business) (25% Stake)	Energy, mining & utilities	Repsol S.A.	4,833
2	25-Jul-22	SAS Rue La Boetie; Credit Agricole Assurances S.A.; Vauban Infrastructure Partners SCA	Telefonica S.A. (rural fibre optic business) (45% Stake)	TMT	Telefonica S.A.	1,021
3	01-Aug-22	PGGM Infrastructure Fund	Residencias de Estudiantes, S.A. (100% Stake)	Leisure	AXA S.A.; CBRE Group, Inc.; Greystar Real Estate Partners, LLC	900
4	29-Jul-22	Grupo Catalana Occidente S.A.	MEMORA Servicios Funerarios S.L. (100% Stake)	Consumer	Ontario Teachers' Pension Plan	600
5	07-Sep-22	Vortex Energy; Luis Miguel Gilperez (Private Individual); Miguel Escrig (Private Individual)	Wenea Mobile Energy SL	Energy, mining & utilities		500
6	15-Jul-22	CapVest Partners LLP	Natra S.A. (100% Stake)	Consumer	InvestIndustrial	500
7	26-Jul-22	Cegid S.A.	Grupo Primavera (100% Stake)	TMT	Oakley Capital Limited	500
8	28-Jul-22	Banco Santander, S.A.	Blecno Investments SL (100% Stake)	Real estate		299
9	21-Jul-22	Inveready Technology Investment Group; Galindez, Ybarra Careaga, Urrutia Vallejo family office	Bidasoa Agregador (51% Stake)	TMT	Masmovil Ibercom S.A.	296
10	28-Sep-22	Charterhouse Capital Partners LLP	Kids&Us English S.L.	Business services	Corpfin Capital S.A.	280



Benelux

Benelux sees M&A activity wane

The Benelux region (Belgium, Netherlands, and Luxembourg) is contending with some serious challenges. In the Netherlands, the region's largest economy by far, inflation hit 17% in September and is expected to come in at 12% for the year. This makes it the most inflationary economy in Western Europe. The IMF projects that GDP growth will come to 4.5% for this year, but soaring prices will drag on growth going into 2023, which is expected to see the pace of the economy increase at as little as 0.8%.

The country is attempting to kick its gas habit, not only turning its back on Russian but also domestic supplies. According to the Dutch Central Bureau of Statistics, 92% of households use gas for heating, making it the only country in Europe with more gas-connected homes per capita than the UK. This energy pivot is exacerbating inflation.

Like elsewhere in Europe, M&A was down in Q3. Volume fell short on the previous year's third quarter by 27% with 215 deals recorded, while value was down 43% to €10.8bn.

Industrial deals lead in Benelux

I&C dominated every other sector combined, the €6bn worth of M&A making up well over half of all deal value—a 116% annual uplift. No fewer than half of the top 10 largest deals across the sector spectrum were industrial transactions. These included Chinese chip company Wuxi Xichan Weixin Semiconductor's €1.5bn acquisition of Ampleon, formerly NXP Semiconductors' radio frequency (RF) supplier to mobile base stations before it was carved out as an independent company in 2015. As a result of the deal, Wuxi Xichan Weixin will become the world's second-largest supplier of RF components, helping it benefit from the global 5G.

In another industrial play, chemicals group Tessenderlo and textiles machinery-maker Picanol came together in a €1.3bn merger. This saw Picanol delisted from the Euronext Brussels and combined with Tessenderlo under a single ticker. There was a previous attempt in 2015 to combine the companies, which are controlled by entrepreneur Luc Tack, but that fell through due to shareholder opposition. The combined group employs some 7,000 people and is active in more than 100 countries. It is expected to post turnover of approximately €2.7bn with adjusted EBITDA of some €430m.

Benelux M&A activity, 2019-Q3 2022



Source: Mergermarket



A big PMB rebound

PMB was well behind I&C with €1.2bn worth of deals, a gain of more than tenfold, most of which came from two transactions.

Frazier Lifesciences Acquisition Corporation, a SPAC sponsored by Frazier Healthcare Partners, merged with NewAmsterdam Pharma Holding, a company focused on oral therapy development. The €499m deal is expected to provide NewAmsterdam with the necessary capital to fund its operations through 2026 and multiple phase three trials for treatments that it has under development.

Meanwhile, in Luxembourg, Nasdaq-listed Azenta, formerly Brooks Automation, targeted B Medical, a vaccine cold chain provider primarily serving emerging markets. These fast-growing markets require secure and reliable temperature-controlled storage and transport for the last mile of vaccine distribution. Azenta paid €460m for the deal. The timely and effective delivery of vaccines has become more pressing in the wake of the COVID pandemic and as the emerging market population appears to be especially open to inoculation. An Ipsos Mori survey published earlier this year found that in India, China, Malaysia, Singapore, and throughout Latin America, more than 75% of people support making COVID vaccines mandatory for anyone eligible to receive them.

Benelux top sectors by value | Q3 2022

	€(m)
Industrials & chemicals	6,055
Pharma, medical & biotech	1,247
Leisure	1,208
Energy, mining & utilities	774
Construction	561

Benelux top sectors by volume | Q3 2022

	Deal count
TMT	48
Industrials & chemicals	38
Business services	36
Construction	21
Consumer	18

Benelux top bidders by value | Q3 2022

	€(m)
USA	1,809
Netherlands	1,642
China	1,516
Belgium	1,364
Singapore	1,173

Benelux top bidders by volume | Q3 2022

	Deal count
Netherlands	72
Belgium	30
USA	19
France	19
Germany	14

Leisure in the sun

The leisure sector came in third place with deal activity worth €1.2bn—a more than sixfold increase compared to the same quarter last year. This was largely due a single deal, however—Singaporean sovereign wealth funds GIC's €1.2bn investment in Sani/Ikos Group, a Luxembourg-headquartered hotel group which operates resorts in the Mediterranean.

Although M&A value declined considerably in the Benelux in Q3, volume has been robust compared with other markets in EMEA. It should be expected that this will ease off over the next six months or so given the severe inflationary pressures building in the Netherlands and to a lesser extent Belgium. Sectors prone to these effects such as consumer are likely to remain depressed for the foreseeable future, with deals concentrated in less cyclical sectors such as EMU and PMB.

Benelux top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	23-Jul-22	Wuxi Xichan Weixin Semiconductor Co., Ltd.	Ampleon Co., Ltd. (100% Stake)	Industrials & chemicals		1,450
2	08-Jul-22	Tessengerlo Chemie N.V.	Picanol N.V. (100% Stake)	Industrials & chemicals		1,328
3	22-Sep-22	GIC Private Limited	Sani/Ikos Group SCA	Leisure	BT Pension Scheme; Florac S.A.S.; Goldman Sachs Principal Strategic Investments group; Oaktree Capital Group LLC; Moonstone Capital Limited	1,173
4	08-Sep-22	Stora Enso Oyj	De Jong Verpakking B.V. (100% Stake)	Industrials & chemicals		1,065
5	13-Sep-22	Stellantis N.V.	Stellantis N.V. (2.2% Stake)	Industrials & chemicals		945
6	13-Sep-22	IDEX Corporation	Muon B.V (100% Stake)	Industrials & chemicals	Rivean Capital B.V.	700
7	05-Aug-22	Eni S.p.A.	TANGO FLNG floating liquefaction plant (100% Stake)	Construction	Exmar N.V.	561
8	30-Jul-22	Koole Tankstorage Zaandam B.V.	Alkion Terminals B.V. (100% Stake)	Energy, mining & utilities	InfraVia Capital Partners; Coloured Finches B.V.	500
9	25-Jul-22	Frazier Lifesciences Acquisition	NewAmsterdam Pharma B.V. (100% Stake)	Pharma, medical & biotech		499
10	08-Aug-22	Brooks Automation, Inc.	B Medical Systems S.a r.l. (100% Stake)	Pharma, medical & biotech	Navis Capital Partners Limited	460

An aerial photograph of a city skyline at sunset. The sun is low on the horizon, casting a warm orange glow over the scene. Several tall skyscrapers are visible, including one with a prominent spire. In the foreground, a multi-lane highway interchange is visible, with cars and trucks moving through it. The sky is filled with soft, wispy clouds. The overall atmosphere is serene and urban.

CEE & SEE

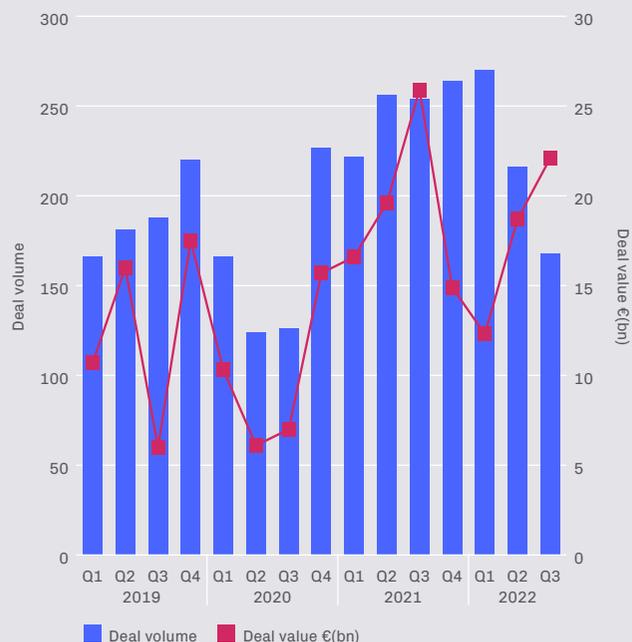
Divestments are in the spotlight as war rages

The CEE & SEE region has been one of the most impressive over the course of 2022. M&A value has increased with each successive quarter in spite of volume tracking down as elsewhere in the region. This meant that, at €22.1bn, deal value reached one of its highest points over the past five years in Q3, the second-best post-pandemic quarterly performance after Q3 2021.

Value in the third quarter was down by just 15% year-on-year. Remarkably, this was the best relative performance of any market across the EMEA. Volume was less robust, continuing a decline from a peak at the beginning of 2022, to deliver 168 deals, down 34% annually.

Rather than this coming in spite of war, much activity has been a consequence of the conflict, with companies seeking to pull out of Russia.

CEE & SEE M&A activity, 2019-Q3 2022



Source: Mergermarket

Securing energy supplies

EMU sector M&A was worth more than all other deals combined and most of this was attributable to just two transactions. In Poland, Polski Koncern Naftowy Orlen acquired a 72% stake in Polskie Gornictwo Naftowe i Gazownictwo for €8.4bn. The merger is expected to strengthen Poland's energy security and give the enlarged group greater bargaining power with its suppliers. The company has an extensive distribution network and storage facilities for natural gas and is pushing into alternative energy sources as part of the energy transition that is playing out in Europe.

The second-largest EMU trade was directly influenced by the war. Last year, Vitol Group, the world's largest independent oil trader, led a consortium with fellow trader Mercantile & Maritime Energy that bought a 5% stake in Russia's giant Vostok Oil project. Fast forward to 2022 and Vitol decided to offload the 5% stake to an undisclosed buyer.

CEE & SEE top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	12,442
TMT	2,415
Industrials & chemicals	2,236
Financial services	1,682
Transportation	1,098

CEE & SEE top sectors by volume | Q3 2022

	Deal count
TMT	37
Industrials & chemicals	30
Energy, mining & utilities	24
Consumer	14
Pharma, medical & biotech	13

CEE & SEE top bidders by value | Q3 2022

	€(m)
Poland	8,890
Russia	6,552
Greece	1,904
Hungary	1,756
USA	1,574

CEE & SEE top bidders by volume | Q3 2022

	Deal count
Russia	35
Poland	20
Czech Republic	15
USA	12
Austria	7

TMT declines heavily

While EMU M&A value surged by at least ninefold to €12.4bn as a consequence of those two deals, TMT deal value went into free-fall and still managed to come second. The €2.4bn in announced deals represented a decline of no less than 82% on the same time last year. Volume also fell, by 52% to 37 deals, but outperformed every other industry in the region.

The largest deal saw Vodafone sell its Hungarian subsidiary to 4iG and Corvinus, a state holding company, for €1.8bn. The government sees the deal as instrumental in its nationwide digitalization strategy.

Backing out of Russia

In another deal motivated by the war, British paper and packaging firm Mondi sold its largest plant in Russia to Augment Investments, an investment vehicle owned by Russian billionaire Viktor Kharitonin, for €1.5bn. The plant, Mondi Syktyvkar, is an integrated pulp, packaging paper, and uncoated fine paper mill. Proceeds from the sale have been earmarked for a special dividend to shareholders. Mondi's decision to retreat from Russia contributed around two-thirds of I&C deal value in the region, putting it in third place behind EMU and TMT. At €2.2bn, this was a nearly 25-fold increase on Q3 2021's value for the sector.



CEE & SEE top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	29-Jul-22	Polski Koncern Naftowy Orlen S.A. (PKN Orlen S.A.)	Polskie Gornictwo Naftowe i Gazownictwo S.A. (71.88% Stake)	Energy, mining & utilities	Ministry of State Treasury of the Republic of Poland	8,391
2	07-Jul-22	Undisclosed bidder	Vostok Oil (5% Stake)	Energy, mining & utilities	Vitol S.A.; Mercantile & Maritime Energy	3,500
3	22-Aug-22	Corvinus Nemzetkozi Befektetesi Zrt.; 4iG Nyrt.	Vodafone Hungary (100% Stake)	TMT	Vodafone Group Plc	1,756
4	12-Aug-22	Augment Investments Limited	Mondi Syktyvkar JSC (100% Stake)	Industrials & chemicals	Mondi Limited	1,508
5	27-Jul-22	Navios Maritime Partners L.P.	36-vessel drybulk fleet (100% Stake)	Transportation	Navios Maritime Holdings Inc.	822
6	11-Aug-22	Entain Plc	Super Sport d.o.o. (75% Stake)	Leisure	Emma Capital	690
7	08-Sep-22	Motor Oil (Hellas) Corinth Refineries S.A.	Ellaktor S.A. (Renewable Energy Sources business) (75% Stake)	Construction	Reggeborgh Invest B.V.	675
8	19-Aug-22	Lone Star Funds	Bank of Cyprus Holdings plc (100% Stake)	Financial services		670
9	27-Sep-22	Aleksander Chachava (Private Investor)	My.Games LLC (100% Stake)	Financial services	VK (former Mail.ru Group Limited)	663
10	21-Sep-22	Arnest OJSC	Ball Corporation (100% Stake)	Industrials & chemicals	Ball Corporation	530

The future remains uncertain

The macro perspective in CEE and SEE remains very challenging. Inflation has put extreme pressure on CEE economies. The Baltics in particular saw annualized price increases north of 22% in September, making for a serious cost of living crisis in these countries as energy prices spiral. This is explained by the region's dependence on Russian gas supplies. In 2021, Russian gas imports accounted for almost half of CEE consumption, compared with just over 20% for the rest of Europe. Ironically these cheap supplies spurred growth in CEE since the dissolution of the Soviet Union and have now become its Achilles heel. The physical proximity to the ongoing war is another clear disadvantage and is likely to make international investors wary of deploying capital without a considerable risk premium.

If M&A continues to remain robust in the region, it will likely be because international companies continue to close similar deals that see them pull out of Russia and reallocate their capital. Until there is a resolution to the ongoing war in Ukraine, foreign direct investment will remain suppressed and M&A will be centered on multinational divestments and domestic deals.



Turkey, Middle East & Africa

Energy sector **buoys wider slowdown**

In macroeconomic terms, the Turkey, Middle East & Africa region continues to show signs of bifurcation from the rest of EMEA, at least as far as oil-rich nations are concerned. Saudi Arabian GDP growth is due to reach 8% this year and will be close to 5% in 2023 before slipping back to more regular levels. This will make it the world's fastest-growing major economy and comes thanks to the elevated price of crude oil, its chief export. Turkey, meanwhile, is forecast to expand by 5% in 2022 in spite of runaway hyperinflation. Prices were up by 83% in the year through September as the country contends with a persistent currency crisis that is sending cost of imports soaring.

On the deal front, activity has very much mirrored other markets in the EMEA region. M&A was down 34% by value and 42% by volume, to €25bn and 114 deals, respectively.

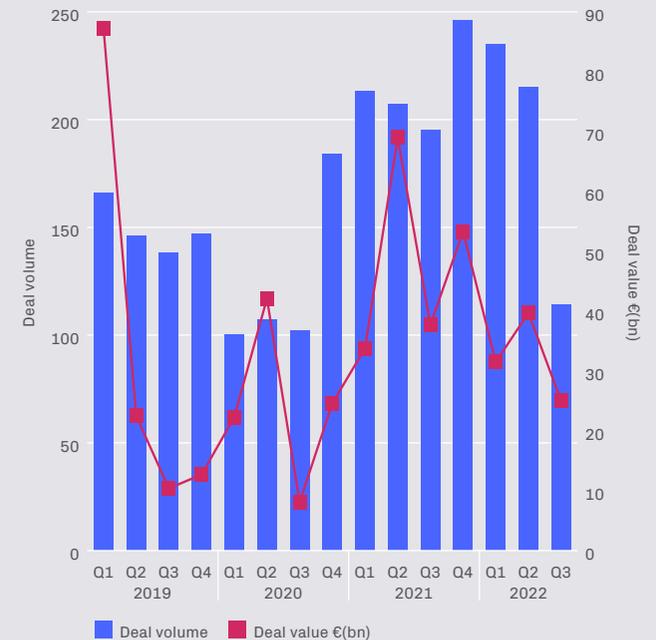
Energy dealmaking on the upswing

The EMU sector is a perennially strong performer in the region owing to the resource-rich nature of many of its economies. The sector was the only one to grow year-on-year, moving up 8% to €13.8bn and beating TMT, the next largest sector by value, by a factor of more than two.

Just over half of the total deal value in this sector was contributed by the €8.7bn reverse merger of Israeli natural gas company NewMed Energy with London Stock Exchange-listed Capricorn Energy. NewMed owns 45% of the rights to the Leviathan gas field off the coast of Israel and Cyprus's Aphrodite offshore gas field. Capricorn plans to distribute a special \$620m dividend among its shareholders as part of the arrangement.

In the United Arab Emirates, Multiply Group took a 7.3% stake in Abu Dhabi National Energy Company, also known as Taqa, for €2.7bn. Multiply is a tech-focused holding company that listed on the Abu Dhabi Securities Exchange in December last year and made the deal to gain greater exposure to utilities, which offers attractive recurring income.

Turkey, Middle East & Africa M&A activity, 2019-Q3 2022



Source: Mergermarket

Cleaning up their act

Clean energy was very much the focal point of the next largest EMU play. Egyptian renewables group Infinity collaborated with Africa Finance Corporation, an infrastructure finance institution, to fully take control of Lekela Power for €1.5bn. Lekela owns a 2.8 GW portfolio of projects in operation and development across the continent and its new owners intend to more than double this capacity over the next four years. Infinity is the largest Egyptian contributor to the Benban Solar Park, which is touted to become the biggest solar photovoltaic park in the world upon completion. With the purchase of Lekela, Infinity claims to have become the largest renewable energy company on the continent.

Another of the top 10 largest deals in the region of Q3 was a renewables deal—the €475m investment in Turkish solar electricity generation firm Kalyon Gunes Enerjisi Uretim made by International Holdings Company (IHC), an UAE-based conglomerate.



TMEA top sectors by value | Q3 2022

	€(m)
Energy, mining & utilities	13,762
TMT	6,290
Consumer	1,347
Transportation	1,179
Industrials & chemicals	814

TMEA top sectors by volume | Q3 2022

	Deal count
TMT	31
Energy, mining & utilities	14
Business services	13
Consumer	13
Industrials & chemicals	12

TMEA top bidders by value | Q3 2022

	€(m)
United Kingdom	8,795
USA	6,625
United Arab Emirates	4,102
Egypt	1,910
India	1,179

TMEA top bidders by volume | Q3 2022

	Deal count
USA	21
United Arab Emirates	19
South Africa	9
United Kingdom	9
Israel	8

TMT volume stays ahead

In spite of these bumper transactions, EMU registered negligible deal volume. TMT came a distant second with €6.3bn transacted, a 32% annual decline, but led on numbers with 31 separate deals—a fall of 31% on Q3 of last year. Gaming software developer Unity Technologies met a €4.5bn price tag for ironSource, an Israeli software company that focuses on developing technologies for app monetization and distribution, with a core focus on the app economy.

The deal is emblematic of the ongoing woes in the SPAC space. IronSource listed on the New York Stock Exchange just a year ago through a merger with SPAC Thoma Bravo Advantage at an implied valuation of over €10bn, but has seen its share price fall amidst a wider sell-off in tech stocks, in spite of increasing revenue.

Even if the region follows EMEA overall, in seeing a period of lower activity, epochal shifts toward renewables are here to stay and will motivate investment theses among both corporate acquirers and financial sponsors for years to come. In the shorter term, the bounceback in energy commodity prices will ensure strong deal performance in the fossil fuel sector.

Turkey, Middle East & Africa top 10 announced deals, Q3 2022

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	29-Sep-22	Capricorn Energy Plc	Delek Drilling Limited Partnership (100% Stake)	Energy, mining & utilities	Delek Group Ltd.; Mubadala Investment Company P.J.S.C.	8,718
2	13-Jul-22	Unity Software Inc.	ironSource Ltd. (100% Stake)	TMT		4,531
3	13-Sep-22	Multiply Marketing Consultancy LLC	Abu Dhabi National Energy Company PJSC (7.3% Stake)	Energy, mining & utilities		2,703
4	18-Jul-22	Africa Finance Corporation; Infinity Energy S.A.E.	Lekela Power Limited (100% Stake)	Energy, mining & utilities	Actis LLP; Mainstream Renewable Power Africa Holdings Ltd.	1,480
5	14-Jul-22	Adani Ports and Special Economic Zone Ltd.; Gadot Group	Haifa Port Company (100% Stake)	Transportation	Government of Israel	1,179
6	05-Sep-22	Robert Bosch GmbH; Bosch Rexroth AG	Elmo Motion Control (100% Stake)	Industrials & chemicals		706
7	11-Aug-22	International Holdings Company P.J.S.C.	Kalyon Gunes Enerjisi Uretim A.S. (50% Stake)	Energy, mining & utilities	Kalyon Group	475
8	14-Jul-22	Groupe Castel	Guinness Cameroon (100% Stake)	Consumer	Diageo Plc	460
9	01-Aug-22	Galata Acquisition Corp	Marti Ileri Teknoloji A.S. (100% Stake)	TMT		439
10	05-Jul-22	Sixth of October Development and Investment Company S.A.E.	Medinet Nasr Housing (100% Stake)	Construction		430

About this report

Produced in partnership with Mergermarket, an Acuris company
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For a full version of the Mergermarket M&A deal database inclusion and league table criteria, go to: www.mergermarket.com/pdf/deal_criteria.pdf



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