

Deal Drivers: EMEA Q3 2023

A spotlight on mergers and
acquisitions trends in **2023**

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Foreword: Confronting hard reality of higher rates

Teasing out positives from Europe's macroeconomic situation is not the easiest task. One plus is that inflation is finally being brought to heel, with the European Central Bank's (ECB) hawkish policy-setting yielding results.

Inflation in the euro area peaked in October 2022 at 10.6%, the highest level since the currency bloc's inception in 1999. That rate declined to 4.3% by September. Still, this is some way off the ECB's 2% target. The central bank has stayed the course in its mission to keep disinflation running, raising its main refinancing rate to 4.5% at the end of the quarter.

All this, of course, comes at a cost. The European Commission has lowered its growth forecast to just 0.8% for 2023 as economic activity faltered in Q2 and multiple indicators trended down. Once the strong man of Europe, Germany's health has taken a turn for the worse, with manufacturing and trade with China waning. Overall, the European consumer continues to be squeezed by high credit costs.

M&A markets mirror slow growth

EMEA's M&A statistics for Q3 make for sober reading. Transaction volume sank to its lowest point in three years and value was down on both year-on-year and quarter-on-quarter bases. However, one saving grace is that value is not as low as it has been earlier this year. In 2023 to date, Q1 was the lowest quarter for aggregate M&A value.

Pockets of strength, or more accurately relative strength, can be seen in areas like industrials, pharmaceuticals, financial services, and commodity-based industries. Moderately-sized telecoms plays are holding up the formerly leading technology, media and telecoms (TMT) sector in lieu of tech's valuation slump. Cash-equipped corporates with well-managed balance sheets selectively seized upon the opportunity to scale up as the majority hunkered down.

Outside of domestic bids, US buyers are demonstrating their dominance, buoyed by a strong dollar and an economy spurred by an unshakable labor market. The valuation gap between US and European M&A markets is another draw. Oil rich investors are not to be overlooked either, with Saudi Arabia in particular contributing its fair share of transaction value, as the Middle East's commodity revenues cushion it from Europe's torpor.



Outlook: EMEA heat chart

Markets confounded expectations this year. Most commentators anticipated equities, a trusty risk-on barometer, to be heavy in H1 before a turn of fortunes moving into the second half. Instead, the reverse has been true. Even with a capitulation in M&A volume in Q3, pipelines remain relatively well stocked. Debt may be more costly than it has been for decades, but corporates are making discerning strategic plays and, as seen over the past year, private equity (PE) continues to remain active while making higher cash contributions to deals and in some cases acquiring assets from themselves via continuation funds.

Ample opportunities are still being delivered by the TMT sector, with a twist. Large-cap tech deals are almost non-existent as the unicorns and decacorns of yesteryear have suffered down rounds. So, despite needing financing to extend their cash runways, they simply don't carry the same lofty valuations they once did. In Q3 our forward-looking heat chart, which tracks 'companies for sale' stories on the Mergermarket intelligence tool, registered 577 stories concerning TMT assets in EMEA that are likely near-term targets. This equates to one in five of the 2,746 deal reports filed for all industries in Q3.

Heat chart based on potential companies for sale

	UK & Ireland	DACH	France	Nordics	Italy	Iberia	Benelux	Turkey, Middle East & Africa	CEE & SEE	TOTAL
TMT	99	86	55	67	15	30	12	114	99	577
Industrials & chemicals	103	112	35	34	60	32	18	37	61	492
Consumer	56	46	18	16	64	28	19	50	66	363
Business services	65	22	23	17	20	32	21	38	33	271
Financial services	46	29	20	11	22	15	27	45	36	251
Pharma, medical & biotech	45	43	19	31	10	20	25	25	26	244
Energy, mining & utilities	27	7	10	16	13	18	7	54	34	186
Leisure	33	7	4	7	10	15	7	18	14	115
Construction	9	17	2	5	6	5	6	23	17	90
Transportation	6	5	5	8	12	4	1	25	9	75
Real estate	3	2	2	3	1	10	5	10	9	45
Agriculture	4	1	2	4	2	3	1	10	7	34
Defense			2					1		3
TOTAL	496	377	197	219	235	212	149	450	411	2,746



Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between April 01, 2023 and September 30, 2023. Opportunities are captured according to the dominant geography and sector of the potential target company.

That isn't to say that every market will be dominated by TMT M&A. In fact, the subregion with the highest anticipated deal flow, the UK & Ireland, has more potential industrials & chemicals (I&C) deals in the offing. All told, 496 transactions are being eyed up in this market, 18% of the total, and 103 of these are tagged as I&C compared with 99 for TMT. Similarly, no fewer than 112 I&C deals have been reported for the DACH subregion, a higher count for the sector than in any other market. Germany is battling with a sluggish economy and its sophisticated manufacturing base is liable to see interest from acquirers willing to support otherwise high-performing assets enduring a period of moderate stress due to slower trade exports.

Nonetheless, across most geographies it is TMT that continues to offer the most opportunities, driven by a confluence of factors including the ongoing restructuring of Europe's telecoms sector, consolidation in the software space, and the perennial digitalization imperative. It doesn't hurt that many businesses that may once have been outside of acquirers' reach are now more affordable.

Turkey, Middle East & Africa is readying itself for a purple patch. The subregion is second only to the UK & Ireland for deal reports, with 450 stories in total. More than a quarter of these involve TMT targets, though forthcoming energy, mining & utilities (EMU), consumer, and financial services deals are by no means in short supply, counting 54, 50, and 45 reports respectively.

Supporting the ongoing influx of capital in the Middle East in particular is the ongoing liberalization of these markets to foreign investors as they continue to diversify their economies away from hydrocarbons. Like the rest of EMEA, and indeed worldwide, the energy transition is a defining characteristic of much EMU M&A volume—and the broader ESG push towards greater sustainability and social inclusion is a major driver underpinning deals across all industries.



Summary: Megadeals vanish as volume slumps

Much has been made of the slowdown in dealmaking since the beginning of 2022 as the free money era came to a halt and financing costs escalated. While it's true that a dearth of outsized bets has dragged down aggregate M&A value, volume has until recently proven to be far more resilient. In fact, last year the EMEA region registered more deals than in 2021 when markets were awash with liquidity.

That remained true through H1 2023, but momentum finally gave way in Q3. There was a 33.4% decline in quarter-on-quarter activity to 2,790 transactions, marking the lowest turnout since Q3 2020, a time when investors were still finding their feet following the Covid-19 pandemic's initial impact. Year-on-year, this was a drop of 32.9%.

Deal value meanwhile came to €164bn, down 25.7% compared to the previous quarter and by as much as 37.9% on the corresponding period last year. There are some grounds for optimism though. The lowest quarterly value reading this year so far fell in Q1, at €132.2bn.

Mid-market support

In a sign of the times and a trend with which investors have become all too familiar, there was only a single megadeal in EMEA in Q3. The steep fall in recent volume contrasted with value hovering above the lows is indicative of the relative strength of the upper mid-market. More M&A in the €2bn-€5bn range was announced in Q3 than in Q1 of this year, a promising if nascent trend on which to keep a close eye moving ahead.

Among the largest sectors for M&A, it is TMT that saw the most comparative weakness in Q3 when taking into account both volume and value. Deal count was down by 35.4% from Q2 and by a similar amount on an annual basis to 645 transactions. Value was down by 45.1% quarter-on-quarter and by as much as 51.7% year-on-year to €27.5bn. This meant that TMT slipped behind I&C into second place in aggregate value terms, the latter leading the rankings with €29.6bn worth of M&A, a 28.4% fall on the year and 23.3% on the preceding quarter.

Taken separately, there were larger year-on-year declines in volume and value in other parts of the market. For instance, pharma, medical & biotech (PMB) registered a full 41.7% collapse in volume to 200 M&As, but these were collectively worth €19.6bn, representing a gain of no less than 87.1% on Q3 2022 and putting the sector in fourth place for value behind I&C, TMT, and EMU.

EMEA M&A activity, 2020-Q3 2023



Source: Mergermarket



A smattering of large-caps

Danaher Corp played a large part in PMB's year-on-year bump with its €5.2bn takeover of Abcam, a UK supplier of protein consumables used by researchers in drug discovery, cancer research, and neuroscience.

For Abcam, the deal will give it access to Danaher's resources and expertise in manufacturing and distribution, but it has not been without its fair share of controversy. The company's co-founder Jonathan Milner has said the offer materially undervalues the business, claiming Danaher's performance forecasts were substantially lower than its own guidance, and pledged to vote against the deal.

The largest transactions were scattered across the region, with no clear lead taken by any one country. France laid claim to the second-biggest deal, as grocer Casino Guichard-Perrachon entered into an agreement in principle with a consortium led by Czech billionaire Daniel Křetínský, that included Financière Marc de Lacharrière (FIMALAC), Attestor Capital, and EP Global Commerce to shore up its capital base and restructure its debt. The arrangement will involve a capital injection and debt conversion valued at €4.4bn. Křetínský, a controversial figure with close ties to Czech politicians, owns Energetický a průmyslový holding, one of the largest energy groups in Central Europe, and is a major shareholder of English football club West Ham United.

EMEA top sectors by value | Q3 2023

	€(m)
Industrials & chemicals	29,646
TMT	27,476
Energy, mining & utilities	21,305
Pharma, medical & biotech	19,624
Financial services	18,812

EMEA top sectors by volume | Q3 2023

	Deal count
TMT	645
Industrials & chemicals	456
Business services	430
Consumer	250
Financial services	207

EMEA top bidders by value | Q3 2023

	€(m)
USA	33,515
United Kingdom	19,252
France	16,726
Saudi Arabia	9,132
Switzerland	7,594

EMEA top bidders by volume | Q3 2023

	Deal count
United Kingdom	460
France	304
USA	297
Germany	251
Italy	172

Oil money

Contributing to the UK & Ireland's standing, Saudi government-owned air lessor AviLease paid €3.3bn for Standard Chartered's aviation finance unit, including Dublin-based Pembroke Aircraft Leasing.

AviLease was founded in June 2022 by the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund, as part of the kingdom's efforts to boost its aviation sector and wean its economy off oil revenues under Vision 2030, its economic diversification agenda. PIF backed the launch of Riyadh Air in March this year, introducing a second flag carrier after Saudia and placing a bulk order for new aircraft.

If there's one thing for certain, it's that Middle Eastern sovereign wealth funds are impervious to the economic situation playing out in Europe, have deep pockets, and are not afraid to spend in the pursuit of their countries' policy goals.

EMEA top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	28-Aug-23	Danaher Corp.	Abcam plc (100% Stake)	Pharma, medical & biotech		5,242
2	04-Jul-23	Financiere Marc de Lacharriere S.A.—FIMALAC; Attestor Capital LLP; Creditors; EP Global Commerce A.S.	Casino Guichard-Perrachon S.A. (99.7% Stake)	Consumer		4,412
3	28-Aug-23	Aircraft Leasing Co.	Pembroke Group Ltd. (100% Stake); Pembroke Aircraft Leasing Holdings Ltd. (100% Stake); Pembroke Aircraft Leasing (Tianjin) Ltd. (100% Stake)	Financial services	Standard Chartered Plc	3,330
4	14-Sep-23	GEK Terna Holdings Real Estate & Constructions S.A.	Attica Motorway Concession Contract (100% Stake)	Construction	Hellenic Republic Asset Development Fund	3,270
5	03-Sep-23	Public Investment Fund-PIF	Saudi Iron & Steel Co.—HADEED (100% Stake)	Industrials & chemicals	Saudi Basic Industries Corporation	3,092
6	31-Jul-23	BDT & MSD Partners LLC	IMA Industria Macchine Automatiche S.p.A. (45% Stake)	Industrials & chemicals	BC Partners LLP	2,925
7	25-Aug-23	Asterion Industrial Partners SGEIC S.A.	STEAG GmbH (100% Stake)	Energy, mining & utilities	KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG	2,600
8	01-Aug-23	Emirates Telecommunications Group Co P.J.S.C.	PPF Group N.V. (PPF Telecom assets in Bulgaria, Hungary, Serbia and Slovakia) (50% Stake)	TMT	PPF Group N.V.	2,500
9	14-Sep-23	TDR Capital LLP; I Squared Capital Advisors (UK) LLP	Applus Services S.A. (100% Stake)	Business services		2,233
10	05-Sep-23	Saudi Telecom Company	Telefonica S.A. (9.9% Stake)	TMT	Morgan Stanley	2,100

An aerial photograph of a city skyline at sunset, with a warm orange and yellow glow. The sky is filled with soft, wispy clouds. In the foreground, a yellow rectangular box contains the text "UK & Ireland". Above this box, there is a light blue square. To the right of the yellow box, there is a large orange horizontal bar. Further to the right, there is a light blue square. The city below is densely packed with buildings, including several prominent skyscrapers. The overall atmosphere is hazy and serene.

UK & Ireland

Europe's grand M&A market shrugs off inflation

The UK has the dubious honor of experiencing the highest inflation of any advanced economy.

The Organization for Economic Co-operation and Development said price increases would average 7.2% in 2023 as a whole in the UK, leading the G7 group of nations in this respect. This is doing nothing for the country's growth prospects, but it appears to be running ahead of Germany. The International Monetary Fund (IMF) forecasts UK GDP to rise by 0.5% in 2023, up from its previously forecasted contraction of 0.3%.

The Bank of England raised interest rates for the fourteenth consecutive time in August, bringing the main rate to 5.25%. It had been widely expected to hike again in September, but chose to hold off. A welcome development has been increasing disinflation in the cost of food in Q3 and wage inflation catching up with price increases, supporting consumer spending and business activity.

Value king

The UK & Ireland is hardly alone in managing these challenges. Similarly, its depressed deal stats are not outlying by any means. There were 641 deals valued at €41.2bn in Q3, respective retreats of 25.2% and 29.8% on the previous quarter, and down 15.7% and 41.9% compared to the same period in 2022.

It is testament to the strength of volume in the subregion that the previously mentioned Abcam and Pembroke deals (see Summary) were the only two EMEA top-10 M&A transactions in this market in Q3, and yet it dwarfed value in every other geography in EMEA by a large margin. Volume was also nearly 50% greater than the next most active markets, namely DACH and the Nordics.

Sterling has lagged the euro against the dollar over the past year and US bidders continue to take an active interest in UK assets, where they get more bang for their buck. Because of this, the UK & Ireland is one of only three EMEA markets where US bidders have outgunned domestic acquirers for total deal value, the other two being the Nordics and Italy.

UK&I M&A activity, 2020-Q3 2023



Source: Mergermarket



TMT trails

Unsurprisingly given the scale of the Abcam and Pembroke deals, PMB and financial services led M&A value in the UK & Ireland with €9.6bn and €9.3bn, representing quarter-on-quarter moves of plus 22.5% and minus 18.1%, respectively. TMT was some way behind in third place with €6bn to its name, a 58.7% decline from Q2, though has continued to provide more volume than any other industry, with 190 deals, down 24.3% compared to the previous quarter.

US PE firm GTCR's buyout of supply chain management software provider Once For All (formerly Fortius) from Warburg Pincus for €1.7bn took third position after the Abcam and Pembroke transactions. The company chiefly serves the construction industry in the UK and France, using a software-as-a-service (SaaS) network that enables contractors and property owners to manage their supply chain of subcontractors, including a marketplace for developing new business relationships.

An investment exposed to the immensely challenged construction industry may not be an obvious play, but SaaS businesses are a firm bet for PE due to their sticky revenues. Moreover, Once For All has integrated functionality that helps companies to maintain compliance with an increasingly byzantine web of public regulations and private standards.

UK&I top sectors by value | Q3 2023

	€(m)
Pharma, medical & biotech	9,647
Financial services	9,257
TMT	6,003
Energy, mining & utilities	5,121
Industrials & chemicals	3,738

UK&I top sectors by volume | Q3 2023

	Deal count
TMT	190
Business services	124
Industrials & chemicals	76
Financial services	63
Pharma, medical & biotech	54

UK&I top bidders by value | Q3 2023

	€(m)
USA	15,059
United Kingdom	10,859
Saudi Arabia	3,330
Australia	3,027
France	2,188

UK&I top bidders by volume | Q3 2023

	Deal count
United Kingdom	342
USA	106
Ireland (Republic)	35
France	25
Canada	17

UK&I top bidders by volume also saw 17 deals from Germany and Sweden.

The future is digital

The rising demand for data storage continues to be a reliable secular growth theme for M&A. To that end, AustralianSuper, Australia's largest pension fund, acquired a 14.6% stake in Vantage Data Centers in September for €1.5bn, more than half of the business services sector's €2.4bn total.

The company, which is sponsored by infrastructure fund manager DigitalBridge, operates 'hyperscale centers' across EMEA. Unlike co-location centers, which allow businesses to lease space and power to house their own IT infrastructure and are the most common type of asset in the space, hyperscale centers are large, energy-efficient sites that support the growing demand for cloud computing and data-intensive artificial intelligence (AI) applications.

Overstretched tech valuations may have seen asset prices tumble, but software M&A continues unabated, led by the new AI paradigm. The Digital Co-operation Organization estimates that the digital economy will come to represent 30% of global GDP by 2030, nearly doubling its contribution in less than 15 years. Investors are understandably positioning themselves accordingly, with digital infrastructure one of the most reliable bets.

UK&I top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	28-Aug-23	Danaher Corp	Abcam plc (100% Stake)	Pharma, medical & biotech		5,242
2	28-Aug-23	Aircraft Leasing Co.	Pembroke Group Ltd. (100% Stake); Pembroke Aircraft Leasing Holdings Ltd. (100% Stake); Pembroke Aircraft Leasing (Tianjin) Ltd. (100% Stake)	Financial services	Standard Chartered Plc	3,330
3	24-Jul-23	GTCR Golder Rauner LLC	Fortius Ltd. (100% Stake)	TMT	Warburg Pincus LLC	1,736
4	11-Sep-23	AustralianSuper Pty. Ltd.	Vantage Data Centers UK Ltd. (14.59% Stake)	Business services	Vantage Data Centers Management Co. LLC	1,500
5	28-Sep-23	Macquarie Asset Management Holdings Pty. Ltd.	Renewi plc (100% Stake)	Industrials & chemicals		1,433
6	15-Sep-23	Markerstudy Group	Atlanta Investment Holdings 3 Ltd. (100% Stake)	Financial services	Ardonagh Group Ltd.	1,397
7	21-Jul-23	HICL Infrastructure Plc; Diamond Transmission Corporation Limited	Hornsea 2 Offshore Wind Farm (Hornsea 2 transmission assets) (100% Stake)	Energy, mining & utilities	Sonningmay Wind Ltd.; Breesea Ltd.; Soundmark Wind Ltd.	1,318
8	28-Aug-23	Pure Health LLC	Circle Health Ltd. (100% Stake)	Pharma, medical & biotech	Centene Corporation	1,110
9	07-Sep-23	KKR & Co Inc; Infracapital Partners L.P.	Zenobe Energy Ltd.	Industrials & chemicals	Tiger Infrastructure Partners L.P.	1,014
10	07-Jul-23	Nestle S.A.	Independent Vetcare Ltd.	Pharma, medical & biotech		937



DACH

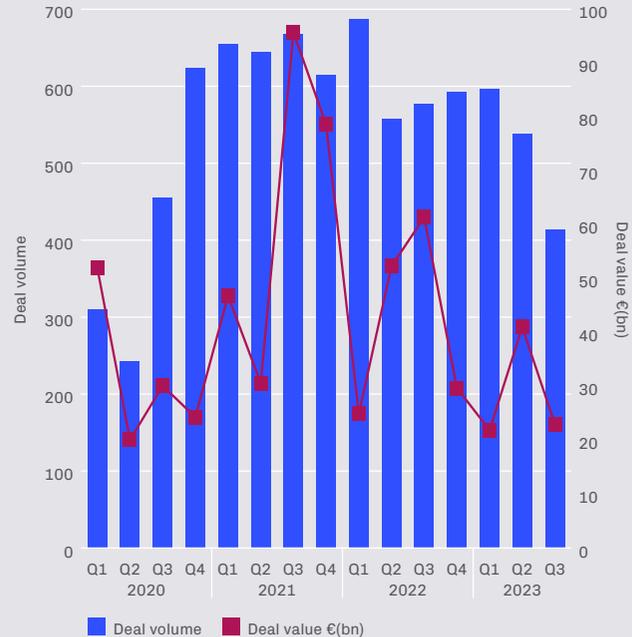
Regional powerhouse **on the ropes**

Germany has been struggling of late. EMEA's largest economy is forecast to contract by 0.5% in 2023, due in large part to stalling manufacturing and weaker trade with China. At the beginning of the year, many anticipated that China's reopening would revive global growth and lift its major export partners.

The slow and uneven lifting of these measures has limited their positive impact, as China contends with a major property sector slowdown and rising debt levels. And when the Asian powerhouse sneezes, Germany catches a cold.

Switzerland, DACH's second-largest economy, is, like much of Europe, experiencing similarly chastened growth. GDP in the country is expected to rise by 0.9%, per the IMF's most recent forecast released in October, due to the familiar bracing effect of tighter monetary conditions and the cooling of pent-up demand.

DACH M&A activity, 2020-Q3 2023



Source: Mergermarket

Capital drought

The DACH region tied with the Nordics as the second-highest volume market in EMEA in Q3, with 414 transactions, a fall of 23% on the previous quarter and 28.2% on Q3 last year. However, DACH's €23bn in total deal value far exceeded the Nordics' count, in spite of deep declines of 43.8% on Q2 and as much as 62.5% on Q3 2022.

One glaring takeaway from the most recent data, and which is true of other geographic markets in EMEA, is that investors have leaned away from top-bracket plays. High debt costs and constricted capital markets are proving to be a significant hindrance to funding bumper deals.

To illustrate this, volume in Q3 was almost double that during the first wave of the pandemic, and yet value is only marginally higher, with acquirers deploying their capital conservatively.

DACH top sectors by value | Q3 2023

	€(m)
Industrials & chemicals	6,890
Energy, mining & utilities	4,991
TMT	3,718
Real estate	1,809
Transportation	1,602

DACH top sectors by volume | Q3 2023

	Deal count
TMT	108
Industrials & chemicals	86
Business services	57
Pharma, medical & biotech	39
Consumer	33

DACH top bidders by value | Q3 2023

	€(m)
Switzerland	5,379
USA	4,335
Spain	3,229
Germany	1,476
Sweden	1,042

DACH top bidders by volume | Q3 2023

	Deal count
Germany	170
USA	55
Switzerland	42
France	17
Sweden	17

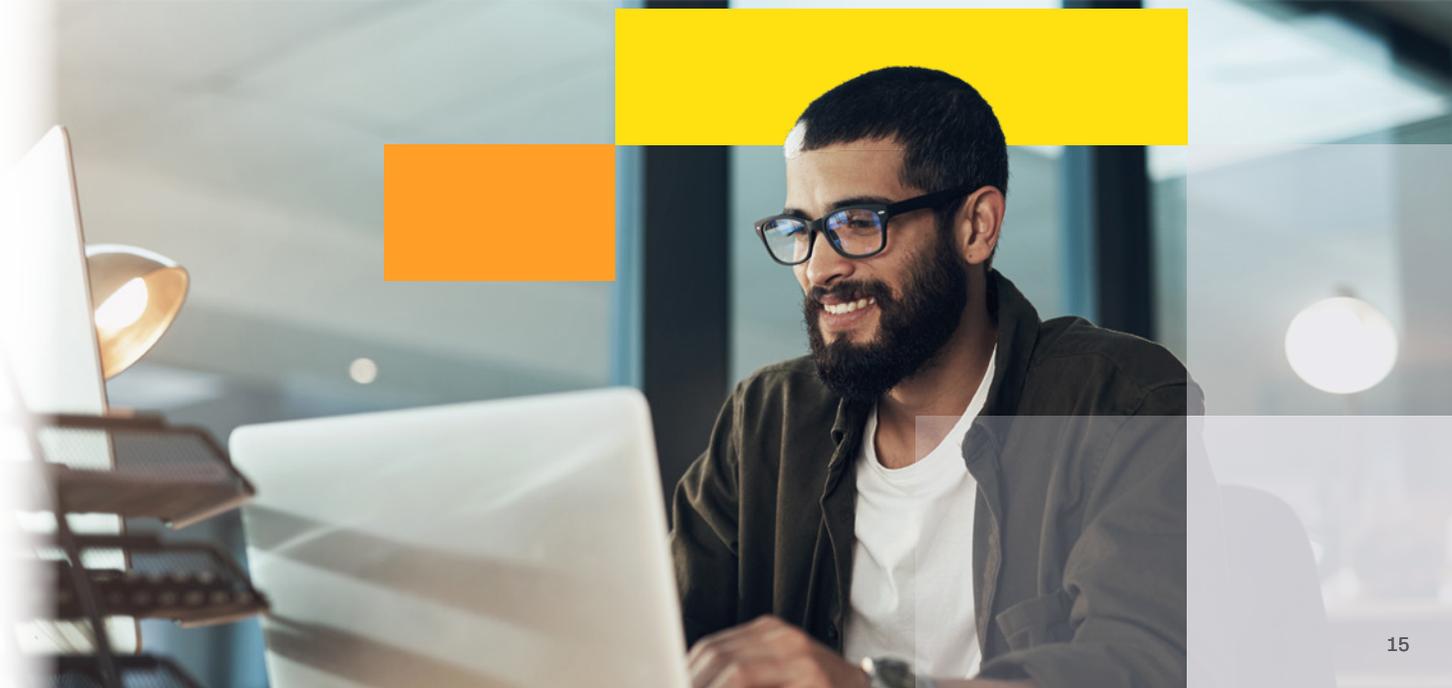
Secondary opportunities

No sector saw more volume in the DACH region in Q3 than TMT, with the 108 transactions owed to the sector representing a 25% shortfall on Q2. It also made its mark in the value stakes, sitting in third place with €3.7bn, a 60.2% quarter-on-quarter decline. These were on the smaller side, however, with no TMT transaction crossing the €1bn threshold and only two deals making it into the subregion's top 10.

In DACH, it is industrial assets that soak up the most capital, and this remained true in the most recent quarter. A total of €6.9bn was put to work in the I&C sector, down 64.9% compared to Q2, this being shared across 86 transactions,

a relatively moderate decline of 14% quarter-on-quarter, positioning the industry behind TMT measured by volume.

GP-led secondaries involving continuation funds, whereby PE firms raise fresh capital and acquire their own assets to benefit from further upside and provide liquidity to their existing investors, have become hugely popular of late due to weak exit volumes. The largest I&C deal of Q3 fell firmly under this category. Swiss firm Ufenau Capital acquired three companies—GarLa Gruppe, Hanseatic Power Service, and 24-7 Kanalservice Holding—from its own portfolio for €1.8bn. LGT Capital Partners put up capital for the continuation fund.



DACH top 10 announced deals, Q3 2023

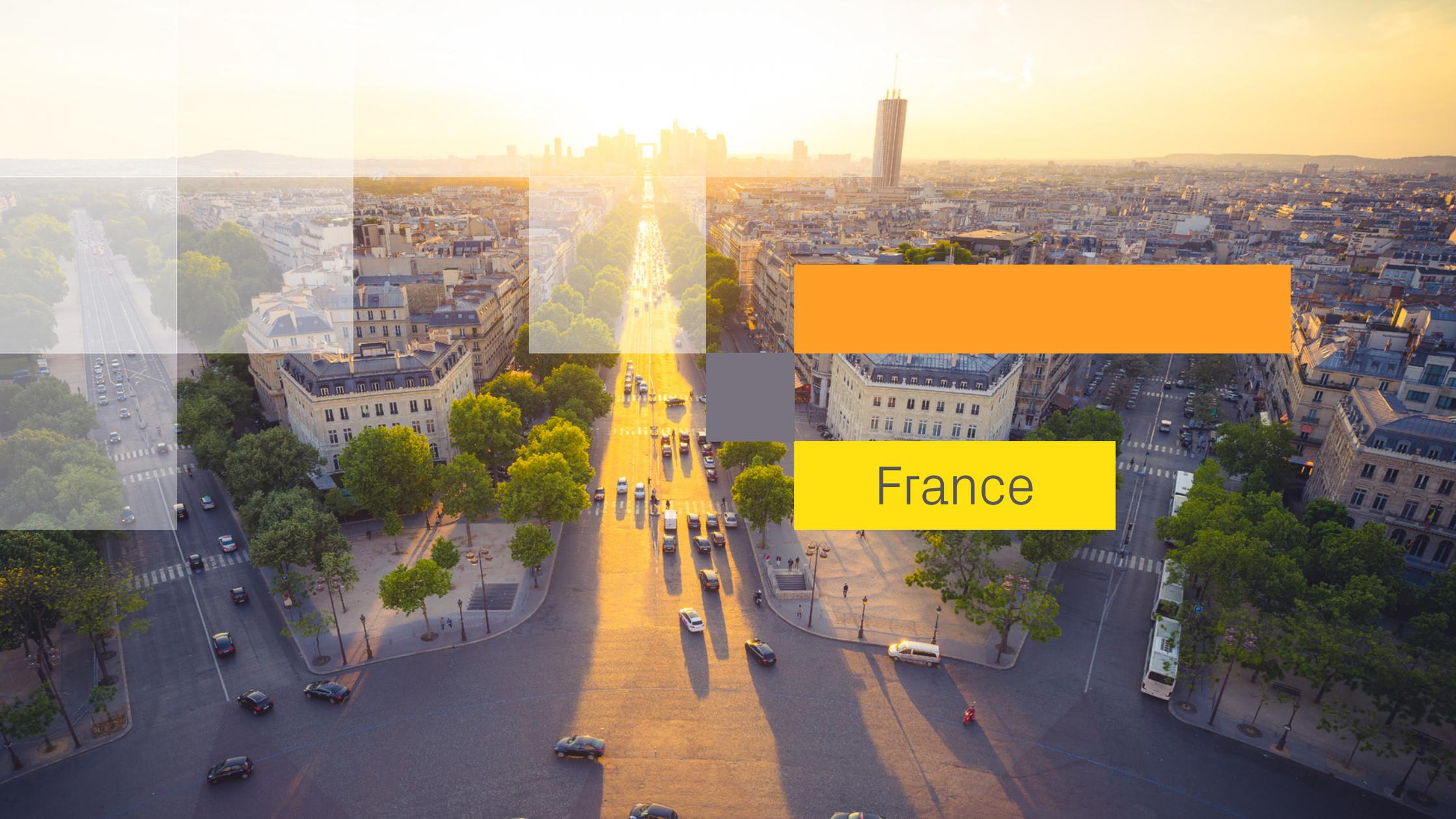
	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	25-Aug-23	Asterion Industrial Partners SGEIC S.A.	STEAG GmbH (100% Stake)	Energy, mining & utilities	KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG	2,600
2	08-Sep-23	Ufenau Capital Partners AG	GarLa Gruppe AG; Hanseatic Power Service GmbH; 24-7 Kanalservice Holding AG	Industrials & chemicals	Ufenau Capital Partners AG	1,800
3	13-Sep-23	MSC Mediterranean Shipping Company S.A.	Hamburger Hafen und Logistik AG (50.1% Stake)	Transportation	City State of Hamburg	1,592
4	07-Aug-23	Bitburger Holding GmbH; Athos Equity Holdings AG	Schuelke & Mayr GmbH (100% Stake)	Industrials & chemicals	EQT AB	1,400
5	31-Jul-23	One Rock Capital Partners, LLC	Constantia Flexibles Group GmbH (100% Stake)	Industrials & chemicals	Wendel SE	1,097
6	09-Aug-23	Slate Asset Management L.P.	Property Portfolio (grocery-anchored retail property portfolio) (100% Stake)	Real estate	x+bricks S.A.	1,000
7	22-Sep-23	Existing Shareholders	EuroTeleSites AG (100% Stake)	TMT	Telekom Austria AG	914
8	26-Jul-23	Masdar	Power Station (476-megawatt Baltic Eagle offshore wind farm) (49% Stake)	Energy, mining & utilities	Iberdrola S.A.	784
9	09-Aug-23	Public Sector Pension Investment Board; Investment Management Corporation of Ontario; Sandbrook Capital	NeXtWind Capital Ltd. (100% Stake)	Energy, mining & utilities	Crestline Investors, Inc.	682
10	17-Aug-23	EQT VIII Fund; EQT AB	SUSE S.A. (23.33% Stake)	TMT		652

The virtuous transition

However, it was a DACH energy transition deal that made it into the EMEA top 10 in Q3. German energy utility STEAG was purchased for €2.6bn by Asterion Industrial Partners from the consortium Kommunale Beteiligungsgesellschaft, which represents multiple municipal utilities in Germany.

Asterion's vision for STEAG is to transform it into a sustainable energy generator by investing heavily in green technologies like hydrogen, batteries, solar, wind generation, and district heating, aligning with its goal of achieving climate neutrality by 2040. The company also supports Germany's coal phase-out while advocating transitional technologies like flexible hydrogen-ready gas generation plants.

The conflict in Ukraine has made Germany's energy transition even more urgent, with the country previously being heavily reliant on Russian gas imports, especially since winding down its nuclear capacity following the Fukushima disaster in 2011. In August, the government signed off on €57.6bn worth of subsidies for green investments in 2024, boosting the annual budget of its Climate and Transformation Fund by 60% compared with this year. With a clear path laid out before them, energy producers and financial sponsors will be following this direction of travel.



France

Deal momentum finally capitulates

France is tracking above the European average in terms of its growth prospects. The IMF expects the country's economy to expand by 1% in 2023, outpacing the eurozone average of 0.7%.

The services sector had a strong summer and both exports and corporate investment have shown strength. This is hardly exceptional performance and the all-too-familiar challenges of sluggish consumption and rising prices abound.

Inflation had decreased for three straight months until August, when a surprise reading to the upside was registered. France has limited domestic fossil fuel resources and relies on imports for most of its oil and gas. That could prove problematic following conflict erupting between Israel and Palestine, which saw an immediate surge in the price of crude and may filter through to goods, though it is too early to tell for sure how this situation will develop.

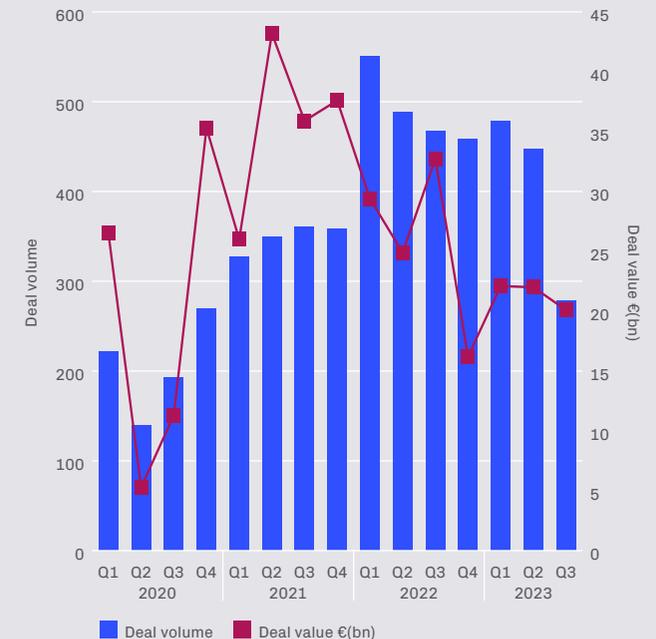
Value holds

Dealmaking showed impressive strength in France during H1, hovering at levels seen throughout 2022, which itself was busier than the bull run period of the prior year. That came to a juddering halt in Q3, with volume falling off a precipice to the lowest point since Q4 2020.

The country's deal count was down by 37.8% quarter-on-quarter in Q3 to 278 transactions, undershooting the EMEA pullback of 33.4%. Value has held up far better, however. The €20.1bn in recorded M&A in France was a relatively benign fall of 8.5% from Q2, next to a 25.7% drop-off for the wider region.

This would not have been possible without a 240% quarter-on-quarter surge in consumer deal value to €5.8bn, which was almost exclusively the product of the aforesaid €4.4bn rescue of grocer Casino Guichard-Perrachon, EMEA's second-largest deal. Carrefour's €1.1bn acquisition of a portfolio of Cora and Match hypermarkets and supermarkets from Belgian retailer Louis Delhaize Group cemented consumer's primacy in Q3.

France M&A activity, 2020-Q3 2023



Source: Mergermarket

Divested interests

The 40 French consumer deals in Q3 also put the sector in joint third place with business services, a 36.5% volume retreat on the previous quarter. The number-one sector by volume was TMT, with 65 deals, 37.5% lower than Q2. The largest of these transactions nudged into second place in the top-10 French deals behind Casino Guichard-Perrachon. IT services and consulting company Atos divested its Tech Foundations business line to EP Equity Investment for €2bn to improve the resilience of its capital structure. Under the deal, Tech Foundations—a cloud computing, data management, and networking provider—will adopt the Atos brand and its parent will be known as Eviden moving forward.

In yet another example of a GP-led secondary, Charterhouse Capital Partners bought Sagemcom, a provider of set-top boxes, broadband routers, and smart meters, from one of its own funds for €700m. AlInvest Partners led the investment, which featured a total of 16 investors. The use of continuation funds is a sure sign that PE fund managers believe there is still plenty of value to be captured from an investment and Sagemcom is benefiting from the secular sustainability narrative, being a member of the United Nations Global Compact and investing heavily into research and development for its smart-home products. Overall, TMT put up €4.3bn worth of M&A value in Q3, a mere 5% decline from Q2.

France top sectors by value | Q3 2023

	€(m)
Consumer	5,830
Industrials & chemicals	4,708
TMT	4,254
Pharma, medical & biotech	1,805
Energy, mining & utilities	1,637

France top sectors by volume | Q3 2023

	Deal count
TMT	65
Industrials & chemicals	44
Consumer	40
Business services	40
Construction	27

France top bidders by value | Q3 2023

	€(m)
France	6,448
Czech Republic	4,412
USA	3,206
Luxembourg	2,009
Australia	1,290

France top bidders by volume | Q3 2023

	Deal count
France	196
USA	21
United Kingdom	15
Japan	6
Italy	5



A glass act

The French I&C sector, meanwhile, put on an even more impressive display, with value soaring by 224% compared to Q2 to reach €4.7bn and claiming four of the top-10 positions. While volume slipped by 24.1%, the 44 deals also put the sector in second place after TMT by total transactions. Australian packaging company Orora landed the largest of these with its takeover of glass bottle manufacturer Saverglass, which caters to the premium spirits and wine markets.

Times may be hard and people more health conscious, but global alcohol consumption is expected to continue rising over the next few years, increasing by 8.6% between 2023 and 2027, according to Statista. So-called premiumization will also keep luxury spirits in high demand, fueled by the growing upper middle class in formerly low-income countries, particularly in Asia.

In the grand scheme of things, France is ticking along well. The fact that its growth is showing more momentum than both Germany and UK, the only two larger economies in EMEA, certainly helps. If this continues to hold true then a pick-up in M&A volume may not be far off.

France top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	04-Jul-23	Financiere Marc de Lacharriere S.A.—FIMALAC; Attestor Capital LLP; Creditors; EP Global Commerce A.S.	Casino Guichard-Perrachon S.A. (99.7% Stake)	Consumer		4,412
2	01-Aug-23	EP Equity Investment S.a.r.l.	Atos SE (Tech Foundations business line) (100% Stake)	TMT	Atos SE	2,000
3	10-Jul-23	Johnson & Johnson; Janssen Pharmaceutica N.V.	Nanobiotix S.A. (License Agreement for Worldwide Co-development and Commercialization of NBTXR3) (100% Stake)	Pharma, medical & biotech	Nanobiotix S.A.	1,695
4	25-Jul-23	TotalEnergies SE	Total Eren S.A. (70.8% Stake)	Energy, mining & utilities	Tikehau Capital Advisors; NextWorld Capital; Bpifrance S.A.; Eren Groupe S.A.; Peugeot Invest S.A.	1,500
5	05-Sep-23	Orora Ltd.	Saverglass S.A.S. (100% Stake)	Industrials & chemicals	Carlyle Group Inc	1,290
6	12-Jul-23	Carrefour S.A.	Louis Delhaize S.A. (Cora and Match assets in France) (100% Stake)	Consumer	Louis Delhaize S.A.	1,050
7	12-Jul-23	Thales S.A.	Cobham Aerospace S.A.S. (100% Stake)	Industrials & chemicals	Cobham Ltd.	988
8	04-Jul-23	Essex Woodlands Management Inc; Boiron Development	Boiron S.A. (100% Stake)	Industrials & chemicals		877
9	14-Sep-23	Renault S.A.; EQT Partners AB; Airbridge Investments B.V.; S.A.S. Rue La Boetie; Meridiam S.A.S.; Credit Agricole Assurances S.A.; Sibanye-Stillwater Ltd.; Bpifrance S.A.; Macquarie Infrastructure & Real Assets Holdings Pty. Ltd.; Societe de projets industriels; EIT InnoEnergy SE; ISALT S.A.S.; PULSE—CMA CGM Energy Fund	Verkor S.A.S.	Industrials & chemicals		850
10	12-Jul-23	Charterhouse Capital Partners LLP	Sagemcom Group S.A.S. (70% Stake)	TMT	Charterhouse Capital Partners LLP	700

An aerial photograph of a city, likely Stockholm, Sweden, during the golden hour. The scene is dominated by a large, historic church with a tall, dark spire, situated on a hillside. The city's architecture is a mix of traditional European styles and modern buildings. A wide river or canal flows through the city, with a bridge crossing it. In the foreground, there are several large, multi-story buildings with light-colored facades and dark roofs. The sky is a soft, hazy blue, and the overall atmosphere is peaceful and scenic. The word "Nordics" is overlaid in a yellow box in the center of the image.

Nordics

Norway leads the way in a cooling Nordic market

By some estimates the largest Nordic economy, Sweden, is expected to be Europe's weakest performer this year. The IMF has forecast a technical recession of 0.7% in its most recent global outlook, while Danske Bank has recently said it expects Swedish output to be flat this year. Economic activity may be wanting, but the country's labor market is strong.

Earlier this year Denmark, which together with Sweden accounts for nearly 60% of Nordic economic activity, was in a similar boat. The IMF had predicted the country's GDP to expand by just 0.7% this year.

However, Denmark has reason to be cheerful. Its government marked up its GDP forecast in August from 0.6% to 1.2%, citing the employment and other economic benefits tied to drugmaker Novo Nordisk, which became the most valuable company in Europe in September thanks to the runaway success of weight loss treatments Ozempic and Wegovy.

Nordics M&A activity, 2020-Q3 2023



Source: Mergermarket

Averaging up

The Nordics enjoyed a surprise welcome lift in M&A activity in Q2, hitting its second-highest level in years. Inevitably, then, Q3 was always expected to track down, as it ultimately did.

The subregion underperformed the broader EMEA market, slumping by 44% quarter-on-quarter to 414 transactions, the lowest point since late 2020. Although Q2's surge was led by smaller deals, the slowdown over the most recent three-month period also came with a pronounced fall in value of 37% to €14.1bn.

It bears noting, however, that acquirers invested more capital in Q3 than in Q1 of this year despite making fewer deals. The mean M&A size was only €14.4m in Q1 and has now more than doubled to €34m, a tentatively positive sign at a time when lenders are exercising extreme caution and debt financing comes at a premium. Investors will take good news wherever they can find it.

Nordics top sectors by value | Q3 2023

	€(m)
TMT	2,471
Industrials & chemicals	2,295
Pharma, medical & biotech	2,172
Business services	2,007
Financial services	1,780

Nordics top sectors by volume | Q3 2023

	Deal count
TMT	106
Industrials & chemicals	66
Business services	60
Construction	37
Pharma, medical & biotech	31

Nordics top bidders by value | Q3 2023

	€(m)
USA	3,018
Norway	2,366
Sweden	2,311
Finland	2,298
Denmark	1,979

Nordics top bidders by volume | Q3 2023

	Deal count
Sweden	108
Norway	78
Denmark	65
Finland	45
USA	28

Norway's North Star

No sector stood out clearly for value in the Nordics in the most recent quarter. TMT, I&C, and PMB accrued €2.4bn, €2.3bn, and €2.2bn, respectively, together making up close to half of the total investment quantum across all industries.

TMT value was down 67.4% on the previous quarter and only recorded one deal in the top 10, in which growth equity firm General Atlantic led a consortium of investors to buy edtech Kahoot! for €1.6bn. The Norwegian company offers a learning platform for students, teachers, and businesses that is used by more than 50m monthly active users in over 200 countries and regions. TMT also generated more volume in Q3 than any

other sector with 106 transactions. This was a fall of 38.4% quarter-on-quarter but only 22.1% on a year-on-year basis.

Norway played an outsized role in Q3. No fewer than six of the top-10 Nordic M&A deals took place in the country, including the three largest: PGS, Kahoot!, and Danske Bank's Norwegian personal customer businesses. Seismic data company TGS was behind a merger with competitor PGS, which has expertise in ocean-bottom node data acquisition and a strong presence in the Americas and Middle East. The deal was valued at €1.7bn including net debt. Danske Bank meanwhile offloaded its assets to Nordea Bank for €1.5bn, allowing the vendor to focus on its core activities in its home market.



Nordics top 10 announced deals, Q3 2023

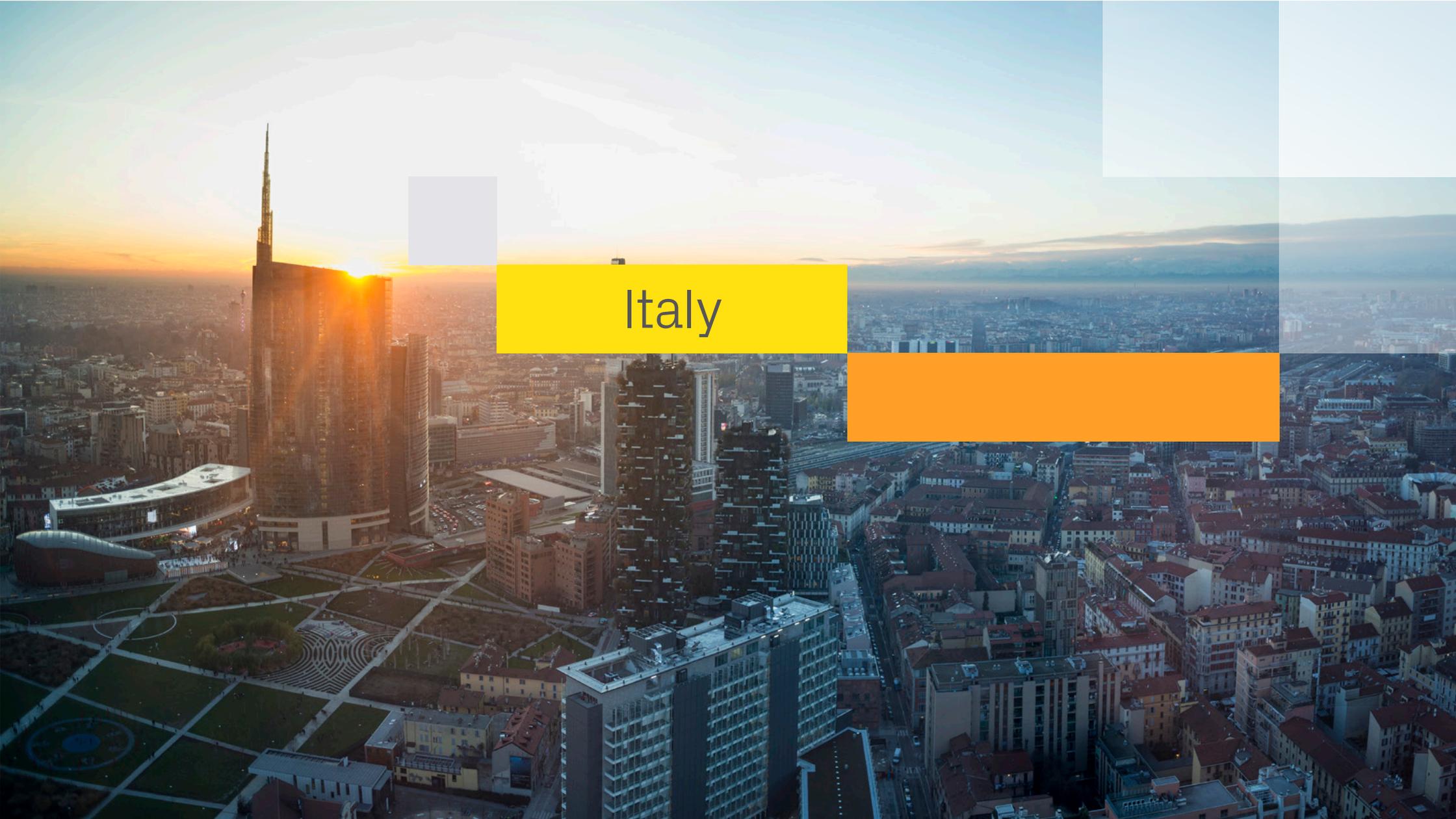
	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	18-Sep-23	TGS ASA	PGS ASA (100% Stake)	Business services		1,714
2	14-Jul-23	General Atlantic LLC; Goldman Sachs Capital Partners; Kirkbi Invest A.S.; Glitrafjord A.S.	Kahoot! ASA (100% Stake)	TMT		1,639
3	19-Jul-23	Nordea Bank Oyj	Danske Bank A.S. (Norwegian personal customer business) (100% Stake)	Financial services	Danske Bank A.S.	1,546
4	07-Sep-23	Temasek Holdings Pte. Ltd.; Kinnevik AB; AMF Pensionsfoersaekring AB; GIC Pte Ltd; Aitor Equity Partners AB; Schaeffler AG; Wallenberg Foundations FAM; Cristina Stenbeck (Private Investor); IMAS Foundation; Vargas Holding AB; Hy24 S.A.S.; Hitachi Energy Ltd; Just Climate LLP; Andra AP—fonden	H2GS AB	Industrials & chemicals		1,500
5	07-Jul-23	Coloplast A.S.	Kerecis ehf (100% Stake)	Pharma, medical & biotech		1,191
6	03-Aug-23	Catcha Investment Corp.	Crown LNG Holdings A.S. (100% Stake)	Energy, mining & utilities		548
7	30-Aug-23	Novo Nordisk A.S.	Embark Biotech (100% Stake)	Pharma, medical & biotech	Embark Laboratories	471
8	20-Sep-23	T-C Storage HoldCo	Self Storage Group ASA (100% Stake)	Real estate	Centerbridge Partners, L.P.; First Risk Capital A.S.	470
9	29-Aug-23	Cube Infrastructure Managers	Urbaser Nordic AS (100% Stake)	Industrials & chemicals	Urbaser S.A.	390
10	08-Sep-23	Mellby Gard AB	Duni AB (70% Stake)	Consumer		366

Weight gains

Outside of Norway's grip on the subregion's leading deals, there was a single Danish transaction that is illustrative of the country's recent success. Building on its blockbuster weight loss products, Novo Nordisk added to its portfolio by picking up Embark Biotech, which is developing novel obesity treatments, for €471m, consisting of a €15m upfront payment and up to €456m in commercial milestones.

This was not the largest Nordic PMB deal of Q3, though. Coloplast, a Danish manufacturer of medical devices for the treatment of chronic wounds, paid €1.2bn to acquire Kerecis, which develops and sells regenerative products for the same purpose, including its flagship product, Fibrinet, a fibrin sealant derived from fish skin. These two deals went a long way to securing PMB's position as the third-biggest M&A sector for value in the Nordics in Q3.

Denmark's pharma sector may have been thrust into the limelight by a single company, but beyond Novo the sector has doubled its exports over the past decade and Sweden has enjoyed similar success. There is every reason to expect more investment in the sector going forward as companies pursue innovation by acquisition.

An aerial photograph of Milan, Italy, during sunset. The sun is low on the horizon, casting a golden glow over the city. The most prominent feature is the Spire skyscraper, a tall, cylindrical building with a sharp, pointed top, which is silhouetted against the bright sky. The city below is a dense grid of buildings, with a mix of modern high-rises and older, lower-rise structures. In the foreground, there's a large, open square with a grid pattern of paths and some greenery. The sky is a mix of orange, yellow, and blue, with some light clouds. The overall scene is a panoramic view of the city from an elevated perspective.

Italy

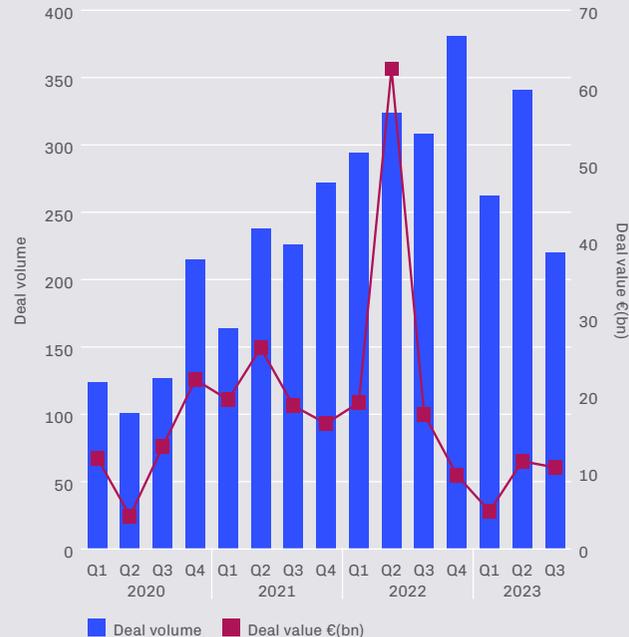
Industrial pedigree keeps M&A market moving

The IMF has taken a more conservative view of Italy's outlook than both the government's budget office and the ECB. The fund's most recent estimate puts the country's GDP growth at 0.7% this year, down from an earlier projection of 1.1%.

The country's manufacturing sector contracted in August for a fifth consecutive month due to weak internal demand in the face of inflation and chilling export markets slowing trade, on which Italy, like Germany, is heavily reliant.

The country had the highest energy prices in Europe in Q3 2023, according to data from the European Commission's Energy Market Observatory, which is doing nothing to improve high input costs for businesses and the price of consumer goods. With one of the highest public deficits in the region, there is also little room for fiscal stimulus should the government need to buttress stalling growth.

Italy M&A activity, 2020-Q3 2023



Source: Mergermarket

Back to baseline

All things considered, Italy's M&A market put on a respectable performance in Q3, especially considering that Q2 was among the busiest on record. Volume was down by 35.5%, almost exactly tracing the EMEA's 33.4% fall, while value declined by just 7% versus the broader region's 25.7% drop. On a year-on-year basis, value was not quite so robust, falling by 39%, in line with the 37.9% regression seen across EMEA over the same timeframe.

Italy's M&A market has long been characterized by a dominance of I&C deals, owing to its deep industrial base, the country being renowned for its automotive, machinery, fashion, and luxury goods production.

These businesses often pursue M&A to consolidate their market positions and expand their portfolios to gain a competitive edge on a global scale. Many of these companies are also family-run and, as generations change, M&A offers a viable route to ensure continuity, access to capital, and achieve international growth.



Sponsored manufacturers

PE firm BC Partners secured an exit with the €2.9bn sale of a 45% stake in IMA Industria Macchine Automatiche to merchant bank BDT & MSD Partners, Italy's biggest I&C deal of Q3. IMA manufactures packaging machines for the food, beverage, pharmaceutical, and cosmetics industries. The sector is expected to continue growing in the coming years, driven by the increasing demand for packaged goods in emerging markets, the growing popularity of e-commerce, and the focus on minimizing waste to align with companies' sustainability targets.

PE was also present in the next largest I&C deal, this time on the buy side. Bain Capital paid €1bn when it bought out Fabbrica Italiana Sintetici, a manufacturer of small molecule active pharmaceutical ingredients and intermediates, from the Ferrari family's holding company Nine Trees Group. Although industrial in nature, Fabbrica benefits from the rising demand for drug development to treat the prevalence of chronic illnesses among aging populations in the developed world.

There were 70 I&C deals in Italy Q3, or close to one in every four transactions, putting the sector way out in front and representing a decline of just 9.1% on the previous quarter. The €4.5bn in value, a 105% quarterly increase, also put I&C well in the lead, in front of financial services in second place with €2.3bn, though the bulk of this came from the IMA and Fabbrica transactions.

Italy top sectors by value | Q3 2023

	€(m)
Industrials & chemicals	4,512
Financial services	2,267
Consumer	1,732
Pharma, medical & biotech	1,352
Real estate	260

Italy top sectors by volume | Q3 2023

	Deal count
Industrials & chemicals	70
Consumer	35
TMT	24
Business services	18
Financial services	17

Italy top bidders by value | Q3 2023

	€(m)
USA	5,173
France	1,715
Italy	1,697
Ireland (Republic)	1,350
United Kingdom	320

Italy top bidders by volume | Q3 2023

	Deal count
Italy	139
USA	12
France	12
Germany	11
United Kingdom	11

Italy top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	31-Jul-23	BDT & MSD Partners LLC	IMA Industria Macchine Automatiche S.p.A. (45% Stake)	Industrials & chemicals	BC Partners LLP	2,925
2	27-Jul-23	Kering S.A.	Valentino Fashion Group S.p.A. (30% Stake)	Consumer	Mayhoola For Investments (QFC) LLC	1,700
3	11-Aug-23	ION Investment Group Ltd.; X3	Prelios S.p.A. (100% Stake)	Financial services	Davidson Kempner Capital Management L.P.	1,350
4	08-Jul-23	Bain Capital L.P.	Fabbrica Italiana Sintetici S.p.A. (100% Stake)	Industrials & chemicals	Nine Trees Group S.p.A.	1,000
5	25-Sep-23	Enovis Corp.	Limacorporate S.p.A. (100% Stake)	Pharma, medical & biotech	EQT AB	800
6	14-Jul-23	BCC Pay S.p.A.	Banco BPM S.p.A. (e-money business) (100% Stake)	Financial services	Banco BPM S.p.A.	600
7	24-Jul-23	Quince Therapeutics Inc.	EryDel S.p.A. (100% Stake)	Pharma, medical & biotech		448
8	14-Sep-23	Assimoco S.p.A.	BCC Assicurazioni (51% Stake)	Financial services	Iccrea Banca S.p.A.—Istituto Centrale del Credito Cooperativo	275
9	06-Sep-23	Raza Heritage Holdings	Frette S.r.l. (100% Stake)	Industrials & chemicals	Change Capital Partners LLP	200
10	04-Aug-23	Fondo Italiano d'Investimento SGR S.p.A.; Banor sim	RINA S.p.A. (33% Stake)	Business services	Registro Italiano Navale	180

Soured loans

Similarly, more than half of the financial services sector's aggregate value came from a single M&A deal, in which Irish fintech holding company ION Investment Group's subsidiary X3 paid €1.4bn for credit manager Prelios, which has a portfolio of over €40bn in assets under management, including non-performing loans (NPLs), unlikely-to-pay exposures, and real estate funds.

The Italian NPL market is one of the largest in Europe—the ratio currently sits at around 3%, according to the Bank of Italy, which is far lower than the peak of 17% reached in 2015 but still higher than the EU average of 2.2%.

The government and banks in the country are committed to reducing the NPL stock via a number of measures including a state-backed guarantee scheme for bad loan securitizations. However, the high-interest environment combined with Italy's aging population and weaker economic growth could put upward pressure on this ratio.



Iberia

A relative bright spot in Europe shines

Spain is basking as holidaymakers flock to the country's beaches. More than one in 10 Spaniards are employed in the tourism industry, which has been booming this year, with inbound travel recovering close to pre-pandemic levels. This rising tide is lifting all boats.

The country is consequently expected to outperform other developed economies in Europe this year, with a projected 2.5% growth rate, per the IMF, well ahead of the eurozone average. Of course, inflation remains a lingering concern, having nearly doubled from a low of 1.9% annualized in June to 3.5% in September, though most forecasters expect this to trend down in due course.

It's a similar story for neighboring Portugal, the economy of which is on track to expand by 2.3% this year and is seeing comparable price growth rates, although has an economy around one-fifth the size of Spain's and a commensurately smaller M&A market.

Potential value bottom

Acquirers in Iberia continue to put one foot in front of the other, with deal volume in this market slipping by 28.8%, less than the EMEA average decline of 33.4%. For many EMEA markets, quarterly deal count has fallen to a low point last observed in 2020 as shellshocked investors gathered their wits after the initial impact of the pandemic. In Iberia, the 213 transactions registered in Q3 is a low not previously seen since Q1 2021, just before M&A markets were supercharged by monetary and fiscal stimulus.

However, buyers upsized in Q3, the total value of M&A barely moving compared to Q2 versus a regional average drop of 25.7%. It seems therefore that the Iberian market may have found a floor in this respect, supported by a resilient mid-market.

Of the €15.2bn invested overall, the three biggest deals accounted for more than a third of this quarterly sum, the top 10 collectively representing two-thirds. And all of this without any megadeals in sight.

Iberia M&A activity, 2020-Q3 2023



Source: Mergermarket

Services and energy lead

From a sector standpoint, business services was a clear winner in Iberia, witnessing more volume than any other industry, the second-highest value after EMU, and contributing the quarter's top transaction. Applus Services, the listed Spanish testing and certification company, was the subject of a bidding war between PE firms Apollo on one side, and TDR Capital and I Squared Capital Advisors on the other. Ultimately, the duo's €2.2bn offer won and will see the company taken private. No other business services deal made it into Iberia's top 10, but the sector's 46 transactions, a quarter-on-quarter decline of only 13.2%, and €2.9bn in total value, a rare increase of 20.1% compared to Q2, made it a positive outlier.

As mentioned, EMU took the top spot for value, the €3.4bn deployed in the segment being a full 48.5% gain on Q2 and the 20 logged deals being a relatively limited quarter-on-quarter fall of only 13%. AXA Investment Managers' €2bn takeover of renewable energy developer and operator Finerge was one of only two EMU M&As of the period to make it into the top 10, checking in at third place. The company owns a 2GW portfolio of operating assets, including wind and solar farms, and is developing a number of new projects. Insurance giant AXA has committed to investing in sustainable assets via its asset management arm in support of the transition to a low-carbon economy, with a goal of deploying €25bn by 2025.

Iberia top sectors by value | Q3 2023

	€(m)
Energy, mining & utilities	3,373
Business services	2,885
TMT	2,297
Consumer	2,168
Leisure	1,340

Iberia top sectors by volume | Q3 2023

	Deal count
Business services	46
TMT	30
Industrials & chemicals	26
Consumer	23
Energy, mining & utilities	20

Iberia top bidders by value | Q3 2023

	€(m)
United Kingdom	3,754
France	2,991
Saudi Arabia	2,300
Germany	1,355
Spain	1,246

Iberia top bidders by volume | Q3 2023

	Deal count
Spain	87
United Kingdom	22
France	19
USA	17
Germany	11

Cross-border concerns

TMT and consumer were on almost level pegging in value terms, respectively counting €2.3bn and €2.2bn, but the former pipped the latter on tallied transactions, with 30 TMT deals to consumer's 23 in Q3. Saudi Telecom Company, the kingdom and Middle East's market leader, put up €2.1bn for a 9.9% stake in Telefónica, the largest foreign investment in the Spanish telco since 2012, making STC its top shareholder.

There is potential for the acquisition to be rejected, however, after Yolanda Díaz, Spanish labor minister and second deputy prime minister, voiced her concerns over the overseas investment in a strategically important handler of domestic data transmissions.

This is but one of many examples of inbound investments coming under close scrutiny from policymakers, both at a national and EU level, particularly where strategically sensitive assets are concerned. Until geopolitical tensions simmer down, that is unlikely to change.

Iberia top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	14-Sep-23	TDR Capital LLP; I Squared Capital Advisors (UK) LLP	Applus Services S.A. (100% Stake)	Business services		2,233
2	05-Sep-23	Saudi Telecom Company	Telefónica S.A. (9.9% Stake)	TMT	Morgan Stanley	2,100
3	04-Aug-23	AXA S.A.; AXA Investment Managers S.A.	Finerge S.A. (25% Stake)	Energy, mining & utilities	Mitsubishi UFJ Financial Group, Inc.	2,000
4	14-Sep-23	EW Group GmbH	Plantas de Navarra S.A. (100% Stake)	Agriculture	Cinven Ltd.; Alexandre Darbonne (Private Investor)	900
5	11-Aug-23	Mountain & Co. I Acquisition Corp.	Barcelona Media G 2020 SL (100% Stake)	Leisure		820
6	31-Jul-23	Indigo Group S.A.S.; Infra Foch Topco S.A.S.	Parkia Iniciativas SLU (100% Stake)	Consumer	First Sentier Investors (Australia) Services Pty. Ltd.; Igeno Infrastructure Partners	650
7	07-Jul-23	JD Sports Fashion Plc	Iberian Sports Retail Group SL (49.98% Stake)	Consumer	Sonae SGPS S.A.; Balaiko Firaja Invest SL	500
8	31-Jul-23	Apax Partners LLP; Fremman Ltd.	Palex Medical S.A. (50% Stake)	Consumer	Fremman Ltd.	500
9	25-Jul-23	Verbund AG	Power Station (wind power plants in Spain with a total capacity of 257 MW) (100% Stake)	Energy, mining & utilities	EDP Renovaveis, S.A.	460
10	22-Sep-23	Grupo Lamosa SAB de C.V.	Baldocer S.A. (100% Stake)	Construction		425



Benelux

Asset management M&A gives Benelux a shot in the arm

The Netherlands is expected to fall just behind the eurozone's growth rate, with real GDP forecast to rise by just 0.6% this year, per the IMF's most recent projection. Inflation is expected to come in at 4% before ticking back up to 4.2% in 2024 as the government's energy price caps expire. While this is not the most welcome news, it puts Dutch inflation well below the global rate of 6.9% and 5.8% forecast for next year.

Belgium is running just ahead of the Netherlands, with the IMF expecting its GDP to expand by 1% in 2023. The country is also enjoying widespread pronounced disinflation, which cannot be said for the rest of Europe. As of September, Belgium had the lowest inflation in the whole of the eurozone, its CPI rate nearly halving to 2.4%, which should support consumer spending and steer its economy on the right course.

Total recall

In Benelux's M&A market, volume is keeping pace with the regional average. The 227 deals made in Q3 represent a 34% downturn on the previous quarter compared to 33.4% across EMEA as a whole. However, the subregion is noticeably undershooting the EMEA average when accounting for total capital invested.

The 52% plummet in deal value in Benelux is double the value underperformance in the wider region compared to Q2. As in Turkey, Middle East & Africa, there was only one Benelux deal worth more than €1bn announced between July and September.

In a major boost for PMB sector M&A value, Exor, the diversified holding company of the Agnelli family, acquired a 12.1% stake in Dutch health technology multinational Koninklijke Philips for around €2.1bn. Philips has been dealing with a major product recall initiated in 2021 due to concerns about sound-absorbing foam degradation in its respiratory devices. This affected millions of devices globally and has had a significant financial impact. However, Philips is on track to return to profitability in 2023 as it resolves the issue.

Benelux M&A activity, 2020-Q3 2023



Source: Mergermarket



TMT volume still on top

Exor's minority investment put PMB in second place with €2.4bn in aggregate value, a 144% increase on the prior quarter, demonstrating just how impactful individual transactions can be. But with only 17 deals, PMB was far from the busiest sector in Benelux.

That distinction goes to TMT, which recorded 52 transactions, a 37% decline from Q2. These were collectively worth €1.4bn, putting the sector in fourth place behind PMB and construction in the value stakes. More than half of this was accounted for by CashDash, a UK fintech trading under the brand Rapyd, buying PayU Global Payment Organization from Dutch technology group Prosus for €555m.

Rapyd picked up all of PayU GPO's operations, excluding India, Turkey, and Southeast Asia, in a timely move that expands its global presence ahead of a potential listing when the IPO window is more widely open. Post-deal, the merged entity will operate in more than 100 countries and serve over 250,000 merchant clients including Adidas, Google, Ikea, Meta, and Netflix.

Benelux top sectors by value | Q3 2023

	€(m)
Financial services	2,893
Pharma, medical & biotech	2,409
Construction	1,536
TMT	1,397
Industrials & chemicals	1,217

Benelux top sectors by volume | Q3 2023

	Deal count
TMT	53
Business services	37
Industrials & chemicals	34
Consumer	21
Construction	21

Benelux top bidders by value | Q3 2023

	€(m)
Netherlands	4,531
France	2,079
United Kingdom	2,011
Germany	602
China	557

Benelux top bidders by volume | Q3 2023

	Deal count
Netherlands	89
Belgium	29
Germany	18
United Kingdom	17
USA	15

Consolidating assets

Dominating the top-10 M&A leaderboard in Benelux with three spots is financial services, which also claimed more deal value than any other sector. The industry accrued €2.9bn worth of investment spread across only 16 deals.

Consolidation in the asset management industry was responsible for this value surge. Indosuez Wealth Management, a subsidiary of Crédit Agricole, paid €956m for a 61.7% stake in Degroof Petercam with client assets totaling €71bn and a strong position in private banking in Belgium, Luxembourg, and France, as well as in asset management globally.

CVC Capital Partners, one of Europe's largest PE firms, meanwhile was behind the biggest financial services deal, though this was no ordinary leveraged buyout (LBO). Instead, the €1bn purchase of infrastructure fund manager DIF Management was part of CVC's ongoing expansion strategy. Investors are showing a keen interest in infrastructure as a defensive inflation hedge that is poised to benefit from significant structural tailwinds related to the energy transition.

The move aligns with the trend of listed LBO shops like Blackstone, Apollo, EQT, and KKR becoming diversified asset managers to enlarge their investment strategies and provide revenue streams to stock market investors. CVC has its own designs on a float that it is expected to execute in the coming months, investors' receptivity to IPOs permitting.

Benelux top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	14-Aug-23	Exor N.V.	Koninklijke Philips N.V. (12.05% Stake)	Pharma, medical & biotech	Goldman Sachs & Co. LLC	2,070
2	05-Sep-23	CVC Advisers Ltd.	DIF Management B.V.	Financial services		1,000
3	04-Aug-23	Credit Agricole S.A.; CA Indosuez S.A.	Bank Degroof Petercam S.A./N.V. (61.65% Stake)	Financial services	Cobepa S.A.; CLdN S.A.	956
4	06-Jul-23	PAI Partners S.A.S.	Infra Group N.V.	Construction	Intermediate Capital Group Plc	808
5	13-Sep-23	Exor N.V.	Exor N.V. (3.47% Stake)	Financial services		750
6	03-Jul-23	OMERS Administration Corp.; APG Group N.V.	Kenter B.V. (100% Stake)	Industrials & chemicals	Alliander N.V.	700
7	18-Sep-23	Villeroy & Boch AG	Ideal Standard International S.A. (100% Stake)	Construction	Anchorage Capital Group LLC; CVC Credit Partners Group Ltd.	600
8	01-Aug-23	CashDash UK Ltd.	PayU Global B.V. (PayU Global Payment Organisation) (100% Stake)	TMT	Prosus N.V.	555
9	08-Sep-23	Government of the Netherlands	Stedin Holding N.V. (11.9% Stake)	Energy, mining & utilities		500
10	10-Aug-23	AAC Technologies Holdings Inc.	Acoustics Solutions International B.V. (100% Stake)	Consumer	Value Enhancement Partners B.V.; Stichting Administratiekantoor Acoustics Solutions International; Ardent Equity Management B.V.	414



CEE & SEE

Dealmaking finally decelerates in Europe's most inflationary region

Central & Eastern Europe and Southeast Europe's (CEE & SEE) close proximity to the ongoing conflict in Ukraine is having a clear impact on the subregion's economies. Inflation here is the worst in the continent and growth is being weighed upon heavily.

Poland's economy, for example, which prior to the pandemic significantly outpaced the eurozone, is expected to expand by just 0.6% this year. Polish CPI peaked at a massive 18.4% in February and double-digit annualized inflation is par for the course in this part of EMEA.

This, inevitably, is squeezing household consumption, but disinflation has picked up pace since early this year. Inflation in Poland came down to just above 10% in August, prompting a surprise 75 basis point rate cut by the country's central bank. However, the slower fall in core inflation compared with the rest of Europe suggests that the second stage of disinflation could prove stubborn.

CEE & SEE M&A activity, 2020-Q3 2023



Source: Mergermarket

Waning flows

M&A volume in Q3 in CEE & SEE ebbed to its lowest point in three years and to around half the levels announced during the months surrounding Russia's full-scale invasion of Ukraine, which against every expectation did nothing to dampen deal appetite in 2022.

It is only now, with inflation continuing to run in the double digits, that acquirers are thinking twice. There were 209 transactions, down 41.1% compared to Q2 and 49.3% from the same quarter in 2022. Value has demonstrated far more resilience, falling by 23.5% year-on-year to €15bn, well above the previous quarter's €9.8bn.

The EMU sector has been a dependable source of activity, contributing more M&A flow than any other industry. The 43 transactions made represented a gain of 65.4% from Q2 and was down by only 14% on the same three-month period last year. These deals were on the smaller side, with the sector's €2.8bn worth of aggregate transaction value placing it third after TMT and construction.

Energy security

Two of CEE & SEE's top-10 deals in Q3 came from the EMU sector, the largest of these coming in fifth place. Poland's Ministry of State Treasury took control of coal-fired plant Elektrownia Polaniec and diversified power generator ENEA Wytwarzanie from energy company Enea for €699m, giving the government control of two of the country's largest assets.

The acquisition is part of a plan to increase the state's role in the sector to ensure Poland has a secure and affordable supply of electricity, reducing its reliance on imported

energy. Some analysts welcomed the move as a step towards achieving a more coherent energy policy, while others have suggested it may put the country's climate change goals out of further reach.

The TMT sector's M&A value soared in Q3, taking a comfortable lead over all other industries. The €4.6bn invested represent gains of 79.5% and 71% on quarter-on-quarter and year-on-year bases, respectively. And with 32 acquisitions, down 65% on the year and half of Q2's tally, securing third place, these were mostly on the larger side.

CEE & SEE top sectors by value | Q3 2023

	€(m)
TMT	4,554
Construction	3,277
Energy, mining & utilities	2,785
Industrials & chemicals	1,121
Transportation	701

CEE & SEE top sectors by volume | Q3 2023

	Deal count
Energy, mining & utilities	43
Industrials & chemicals	33
TMT	32
Business services	23
Consumer	19

CEE & SEE top bidders by value | Q3 2023

	€(m)
Greece	4,071
United Arab Emirates	2,500
Russia	2,239
Poland	1,846
China	1,340

CEE & SEE top bidders by volume | Q3 2023

	Deal count
Russia	45
Poland	27
United Kingdom	12
USA	11
Greece	11



CEE & SEE top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	14-Sep-23	GEK Terna Holdings Real Estate & Constructions S.A.	Attica Motorway Concession Contract (100% Stake)	Construction	Hellenic Republic Asset Development Fund	3,270
2	01-Aug-23	Emirates Telecommunications Group Co P.J.S.C.	PPF Group NV (PPF Telecom assets in Bulgaria, Hungary, Serbia, and Slovakia) (50% Stake)	TMT	PPF Group N.V.	2,500
3	24-Jul-23	Tencent Holdings Ltd.	Techland S.A. (67% Stake)	TMT		1,340
4	18-Sep-23	Sezar Group	Mondi Syktyvkar JSC (100% Stake)	Industrials & chemicals	Mondi Plc	776
5	15-Jul-23	Ministry of State Treasury of the Republic of Poland	Elektrownia Polaniec S.A. (100% Stake); ENEA Wytwarzanie S.A. (100% Stake)	Energy, mining & utilities	Grupa Energetyczna Enea S.A.	699
6	08-Sep-23	Meridiam Infrastructure	Autostrada Wielkopolska S.A. (23.8% Stake); Autostrada Wielkopolska II S.A. (40% Stake)	Transportation	Kulczyk Investments S.A.	650
7	25-Aug-23	Gruppo San Donato S.p.A.; GKSD S.r.l.	American Heart of Poland S.A. (70% Stake)	Pharma, medical & biotech		500
8	28-Jul-23	ORLEN S.A.	Power Station (three wind farms) (100% Stake)	Energy, mining & utilities	EDP Renovaveis, S.A.	497
9	10-Jul-23	Interros Holding OAO; VKO Group ZAO	Tochka AO (90% Stake)	TMT	National Bank Trust OAO	415
10	24-Aug-23	CEPS A.S.	Gas Storage CZ sro (100% Stake)	Business services	RWE AG	360

All credit to Greece

Three of the quarter's top-10 deals emerged in the TMT sector, including the second-biggest, in which Emirates Telecommunications Group bought Czech PPF Group's assets in Bulgaria, Hungary, Serbia, and Slovakia for €2.5bn including a €300m earnout. This was immediately followed in size by Chinese video game publishing giant Tencent Holdings' €1.3bn purchase of a 67% stake in Techland, the Polish developer behind open-world zombie title Dying Light.

However, it was a rare Greek deal that took the top spot in CEE & SEE in Q3 and will go some way towards helping the eurozone's most indebted nation right its precarious fiscal position. GEK Terna Holdings Real Estate & Constructions won a 25-year concession for the Attica Motorway, a 70-km Athens ring road, with a €3.3bn bid.

Greece has plans to privatize further assets including a stake in Athens airport toll roads, a port, and marinas that could bring in a further €5bn in 2024 as the country satisfies the terms of its international bailout plan that staved off its sovereign debt crisis. According to EU figures, Greece's debt-to-GDP ratio stood at 168.3% at the end of Q1, above Italy's 143.5% ratio, Europe's second-most-indebted country. Investors should expect its privatization ambitions to bring further big-ticket deals in the coming months.



Turkey, Middle East & Africa

Sovereign funds prop up M&A value amid volume rout

It's a tale of two cities for Saudi Arabia and Turkey, the Middle East's largest economies. Turkey is on track to grow by 4% this year, the highest rate of expansion of any developed economy in EMEA. That said, inflation reached a crushing 61.5% in September, rising for a third consecutive month in response to recent tax hikes and lira weakness, and is expected to round the year out at around 70%. After adopting a highly unorthodox low-rate policy, since his re-election in May President Erdoğan has assembled a new economic team and began implementing aggressive monetary tightening.

For Saudi Arabia, conditions are far more benign. The IMF projects real GDP to be up by a modest 0.8% in 2023 and inflation to amount to 2.8% by year's end, the rate of price increases having cooled to just 2% in August, one of the lowest readings in the G20.

The country has been investing heavily in its non-oil economy, making various efforts to increase foreign investment, thereby boosting M&A, and in July set aside more than US\$5bn to lessen the impact of price increases on its citizens.

Industrial lift

Compared with last year, M&A in Q3 registered big drops in Turkey, Middle East & Africa, falling by as much as 45.5% measured by volume and 41.4% by value to 174 deals worth a combined €13.2bn.

On a quarter-on-quarter basis, however, these declines were less dramatic, retreating by 37.2% and 14.7%, respectively. The subregion is one of only two markets to have recorded just one deal over the €1bn threshold, the other being Benelux.

In terms of sectors, TMT continued to lead deal count in spite of a 55.3% decline from the previous quarter, the sharpest drop of any industry. And while it led on this metric, total value of €2.6bn represented a quarter-on-quarter decline of 64% and positioned TMT firmly behind I&C, which, despite only posting 21 acquisitions, a decline of 30% on the previous period, led with €4.5bn in aggregate value.

Turkey, Middle East & Africa M&A activity, 2020-Q3 2023



Source: Mergermarket

TMEA top sectors by value | Q3 2023

	€(m)
Industrials & chemicals	4,489
TMT	2,611
Energy, mining & utilities	1,819
Consumer	1,459
Leisure	641

TMEA top sectors by volume | Q3 2023

	Deal count
TMT	38
Business services	25
Industrials & chemicals	21
Energy, mining & utilities	21
Consumer	18

TMEA top bidders by value | Q3 2023

	€(m)
Saudi Arabia	3,501
United Arab Emirates	2,409
USA	1,659
Israel	1,165
Canada	969

TMEA top bidders by volume | Q3 2023

	Deal count
USA	32
Turkey	23
United Arab Emirates	22
Israel	19
South Africa	12



Sovereign ambitions

Saudi Basic Industries Corp (SABIC) sold its subsidiary Saudi Iron and Steel Company (Hadeed) to PIF, Saudi Arabia's sovereign wealth fund, for an enterprise value of €3.1bn, as it homes in on its core value proposition in chemicals production. Hadeed is the country's top manufacturer of steel products and has played a major role in the construction of the kingdom's large infrastructure projects, which are key to its Vision 2030 economic transformation plan, which PIF is spearheading.

PIF is not the only sovereign investor that was active in the subregion's I&C space. The UAE's Abu Dhabi Development Holding (ADQ) purchased a 25% stake in three state-owned companies—Egyptian Linear Alkyl Benzene, Egyptian Drilling Company, and Egyptian Ethylene & Derivatives—for an enterprise value of €727m as part of Egypt's ongoing privatization push.

The three businesses are among seven in the portfolio of the Pre-IPO Fund of the Sovereign Fund of Egypt, which is prepping assets for listing on the stock market or selling to investors. For its part, ADQ was guaranteed a return of 8% per year for four years, recoupable from the eventual sale proceeds from the trio of industrial companies.

A decacorn no more

TMT's pronounced value slump is symptomatic of the severe price correction that assets in the technology sector have been dealt. This is best summed up by the fate of Getir, an Istanbul-based grocery delivery service that raised €467m at a valuation of US\$2.5bn from Revo Capital, Mubadala Capital, G Squared Capital, and recent Sequoia Capital departee Michael Moritz. Just last year the startup carried a valuation of US\$11.8bn when it raised a US\$768m Series E round.

Since then the company has announced its exit from the Portuguese, Spanish, and Italian markets as it slashes costs to address cash flow issues. Getir was one of Turkey's first decacorns and has now been demoted to a unicorn, its latest financing being one of countless down rounds VC-backed startups have endured across the global venture industry.

Turkey, Middle East & Africa top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (€m)
1	03-Sep-23	Public Investment Fund—PIF	Saudi Iron & Steel Co.—HADEED (100% Stake)	Industrials & chemicals	Saudi Basic Industries Corporation	3,092
2	30-Aug-23	Mondavi Ventures Ltd.	Allied Gold Corp (100% Stake)	Energy, mining & utilities		891
3	11-Jul-23	Abu Dhabi Development Fund	Egyptian Linear Alkyl Benzene Co. (25% Stake); Egyptian Drilling Company (25% Stake); Egyptian Ethylene & Derivatives Co. (25% Stake)	Industrials & chemicals	Government of Egypt	727
4	11-Jul-23	Talaat Moustafa Holding Group	Egyptian General company for Tourism & Hotels (EGOTH) (37% Stake)	Leisure	Government of Egypt	636
5	03-Sep-23	Global Investment Holding Ltd.	Eastern Co S.A.E. (30% Stake)	Consumer	Chemical Industries Holding Company	575
6	30-Jul-23	Undisclosed Acquirer	Cosumar S.A. (30.05% Stake)	Consumer	Wilmar International Ltd.	556
7	08-Sep-23	Revo Capital; Michael Moritz (Private Investor); Mubadala Capital; G Squared Capital LLP	Getir Perakende Lojistik A.S. (20% Stake)	TMT		467
8	10-Aug-23	Check Point Software Technologies Ltd.	Perimeter 81 Ltd. (100% Stake)	TMT		446
9	28-Sep-23	Petroliam Nasional Berhad; Petronas Angola E&P Ltd.	Oil & Gas Assets (Block 20 in the Kwanza Basin) (40% Stake)	Energy, mining & utilities	TotalEnergies SE	378
10	15-Sep-23	Playtika Ltd.	GS Inflation Labs Ltd. (100% Stake)	TMT	VGames	281

About this report

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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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