

CMS European M&A Study 2024



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

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

Key findings and takeaways:

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

predominant in CEE, comprising 67% of transactions.

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

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

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

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

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

Conclusion:

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

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