

Back in Gear: CMS European M&A Outlook 2025 | European M&A activity shows signs of recovery, with CEE reporting surge in deal values



- Deal value in H1 2024 reached EUR 439bn, up 31% from EUR 334bn in H1 2023, despite an 8% drop in volume.
- CEE M&A deal values surged by 47% to EUR 14.4bn in H1 2024, reflecting a growing regional interest despite a slight decrease in transaction volume.
- Nearly two-thirds of survey respondents expect European M&A to increase over the next 12 months, either somewhat (45%) or significantly (20%), a major reversal from last year's study when only 3% forecast a significant increase.
- Valuation gaps between buyers and sellers (24%) were identified as the single biggest obstacle to European dealmaking in the next 12 months, followed by inflation and interest rates (18%).
- Respondents are split about the UK & Ireland's M&A prospects for the year ahead, with 32%, the largest share, placing it in the top spot for anticipated M&A growth, but 31% saying it will see lowest growth.
- 55% expect to see increased appetite among Middle Eastern buyers for European assets.
- Nearly all respondents (90%) describe a target company's diversity factor as an important consideration, including 29% who say it is crucial.

According to global law firm CMS's 2025 European M&A Outlook, nearly two-thirds of dealmakers expect the level of European M&A activity to increase in the next 12 months, including 20% who say it will rise significantly. The Outlook was published today in association with financial data firm Mergermarket. This stands in stark contrast to last year's predictions when only 3% forecasted a significant increase.

After a challenging couple of years for European M&A activity, H1 2024 demonstrated signs of recovery. Aggregate M&A deal values in the region totalled EUR 439bn, up 31% compared to the first six months of 2023, according to Mergermarket figures. However, transaction volumes were down over the same period, falling by 8% compared to H1 2023's 8,579 deal announcements.

Louise Wallace, *Global Head of the CMS Corporate/M&A Group*, said: "Having announced fewer big-ticket deals in 2023 as they awaited greater certainty around interest rates, dealmakers appear to have reverted in 2024 to more concentrated activity in larger transactions – a sign of confidence returning gradually to the market."

CEE SEES MARKET RECOVERY BUT FACES ESG READINESS CHALLENGES

In H1 2024, CEE M&A deal values increased significantly by 47% to EUR 14.4bn, despite a 7% drop in transaction volume to 476 deals. Ahold Delhaize's acquisition of Romanian retail chain Profi stood out as one of

the region's largest deals, valued at EUR 1.3 billion.

Respondents were divided in their expectations for CEE's M&A growth, with 17% anticipating it will attract the highest growth in European M&A and 14% forecasting it will experience the lowest growth.

Horea Popescu, *Managing Partner at CMS Romania, and Head of Corporate M&A in CEE* commented: "The notable uptick in CEE M&A deal values in H1 2024 reflects a rebound in investor confidence and growing interest in the region, fuelled by stronger market dynamics. While market sentiment remains mixed, the significant increase in deal values—driven in part by major transactions such as Ahold Delhaize's substantial acquisition of Profi in Romania—signals a positive shift. This resurgence suggests that, despite varying expectations, CEE is increasingly seen as a promising market for M&A with strong growth potential."

Rodica Manea, *Corporate Partner at CMS Romania*, stated: "We are seeing a growing number of investors from the Middle East, primarily focused on areas such as energy and water optimization, food and fertilizers. The Middle East offers significant investment potential, particularly in the context of the CEE region. Of course, CEE companies face challenges as well. The current low levels of ESG due diligence in the region indicates a pressing need for improved readiness to meet new standards, and CEE businesses need to adapt or risk falling behind."

Meanwhile, as the EU advances its European Green Deal and Action Plan for Financing Sustainable Growth, new rules on company disclosure and responsible behaviour are coming into force. 91% of respondents anticipate increased scrutiny of ESG factors in M&A deals over the next three years. However, there is a notable readiness gap in CEE, with only 26% of regional respondents consistently conducting ESG due diligence, and 65% describing their preparedness as insufficient. This is in sharp contrast to the 53% of all respondents that said they are somewhat prepared, and 12% that said they were extremely prepared.

DIGITALISATION AND OTHER DRIVERS

Almost a fifth of respondents (17%) expect digitalisation to be the number-one driver of buy-side M&A activity in Europe over the next 12 months, but it is by no means the only major factor propelling dealmaking.

Whereas digitalisation dominated M&A strategies during the pandemic and in the couple of years immediately following the crisis, dealmakers today are quick to identify several additional key drivers of M&A, such as distressed opportunities (14%), mounting interest from overseas acquirers (also 14%). Such a plurality of motivating factors is indicative of an increasingly healthy deal market in Europe.

VALUATION GAPS

Buyer and seller price expectations have emerged more clearly as the single biggest obstacle, with 24% identifying this as the primary hurdle to dealmaking in the next 12 months.

While it is normal for valuation gaps to emerge following market corrections or shocks, this sticking point appears to be taking longer to work through than in the past, as price discovery continues to be far from straightforward. With public market indices up over the past year (MSCI World, for example, was up by more than 20% in the year to the end of June 2024), company valuations have remained high despite higher financing costs in what remains an uncertain economic environment.

MIDDLE EASTERN INTEREST

Buoyed by sustained high oil prices, Middle Eastern investors have been looking to Europe for deal opportunities. Between 2016-2021, the average aggregate value of deals led by Middle Eastern bidders targeting assets in

Western Europe was just under USD 6bn annually, according to Mergermarket data. In H1 2024 alone, Middle Eastern acquirers announced deals in Western Europe totalling almost USD 23.3bn.

This trend has not escaped our respondents' notice – 42% say they have seen more Middle Eastern buyers in Europe's M&A markets over the past year.

DIVERSITY MATTERS

Nearly all respondents (90%) describe a target company's diversity factor as an important consideration. However, there are regional differences. Respondents in the Nordic and DACH regions place a high emphasis on diversity, with 48% saying diversity is a crucially important factor. Meanwhile, only 13% of SEE and 9% of CEE dealmakers surveyed share this view.

OUTLOOK

After a period of reflection in 2023, as European dealmakers absorbed the shocks of rapidly rising inflation and elevated interest rates, the signs for 2024 so far are that M&A activity across the region is shifting back into a higher gear.

Read the full CMS European M&A Outlook 2025 here:

<https://cms.law/en/int/publication/cms-european-m-a-outlook-2025>