

ECLA GCRT on M&A Trends

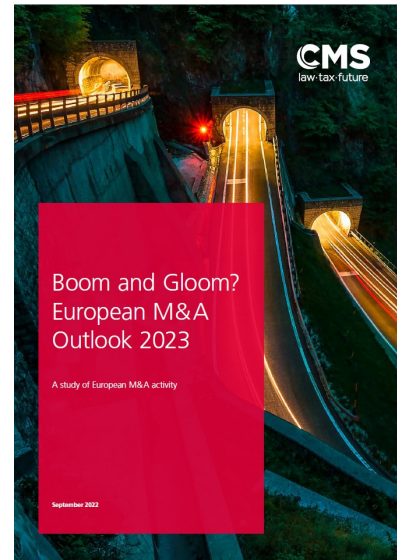
Stefan Brunnschweiler
Roman Tarlavski

11 May 2023

CMS European M&A Study 2022 and European M&A Outlook 2023

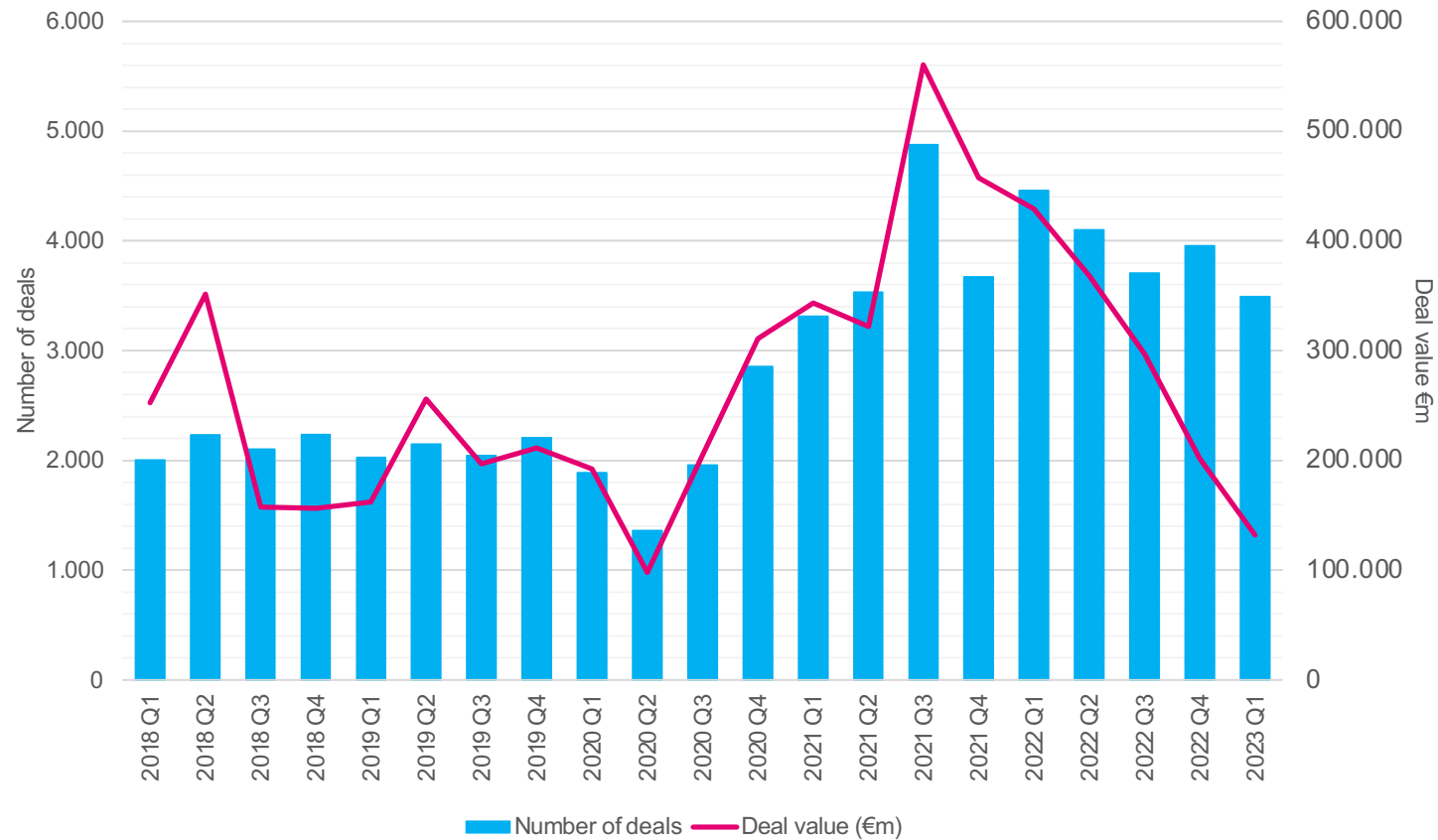


- 15th Edition
- Over 6,000 CMS transactions analysed
- 509 private M&A deals in 2022
- CMS Trend Index
- European/US comparison
- European regional Differences
- Deal size analysis
- Special report on trends in AsPac, Africa, MEA and LATAM



- 10th Edition
- 330 executives surveyed
- ESG factors in M&A
- FDI environment
- Tightening Financing Conditions
- Sector watch

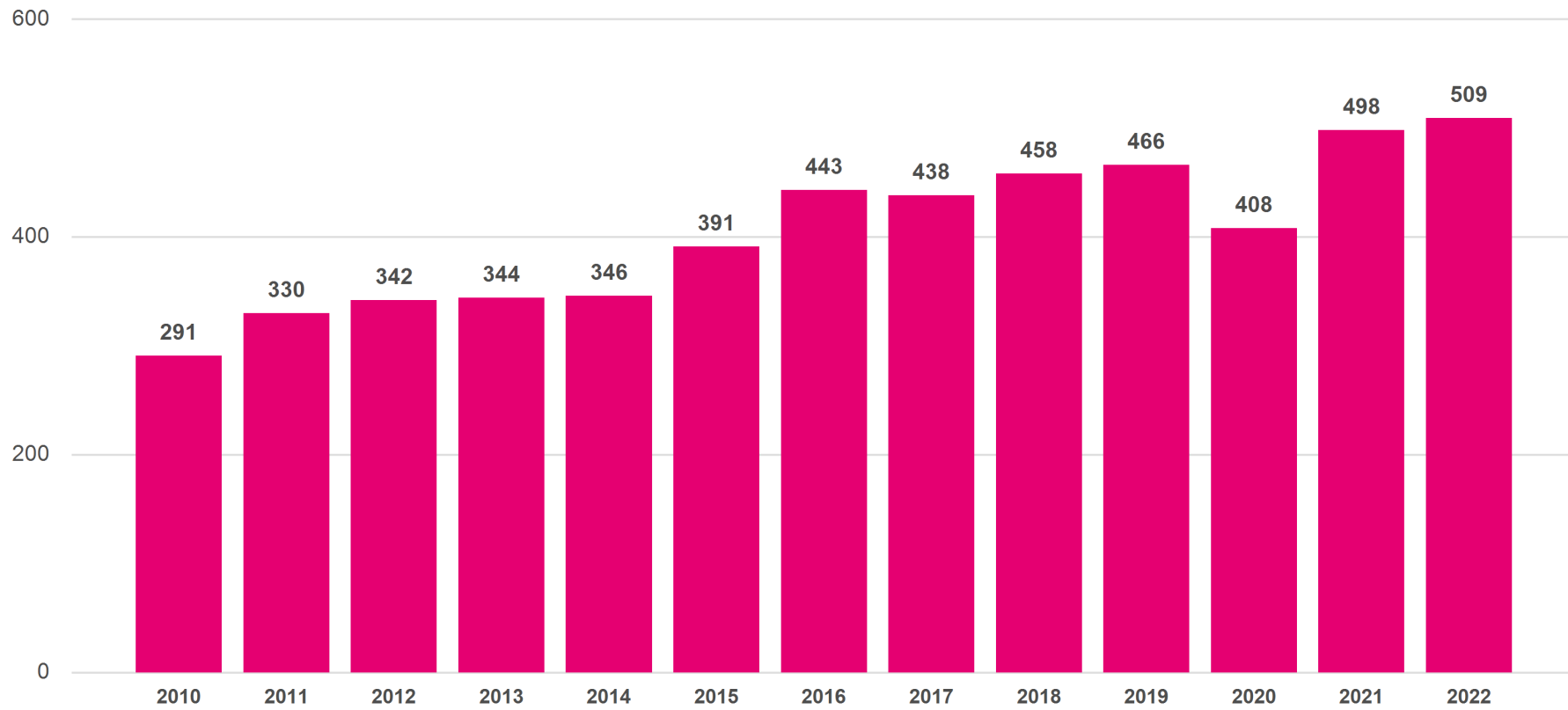
European M&A trends 2018-2022 YTD



Source: Mergermarket

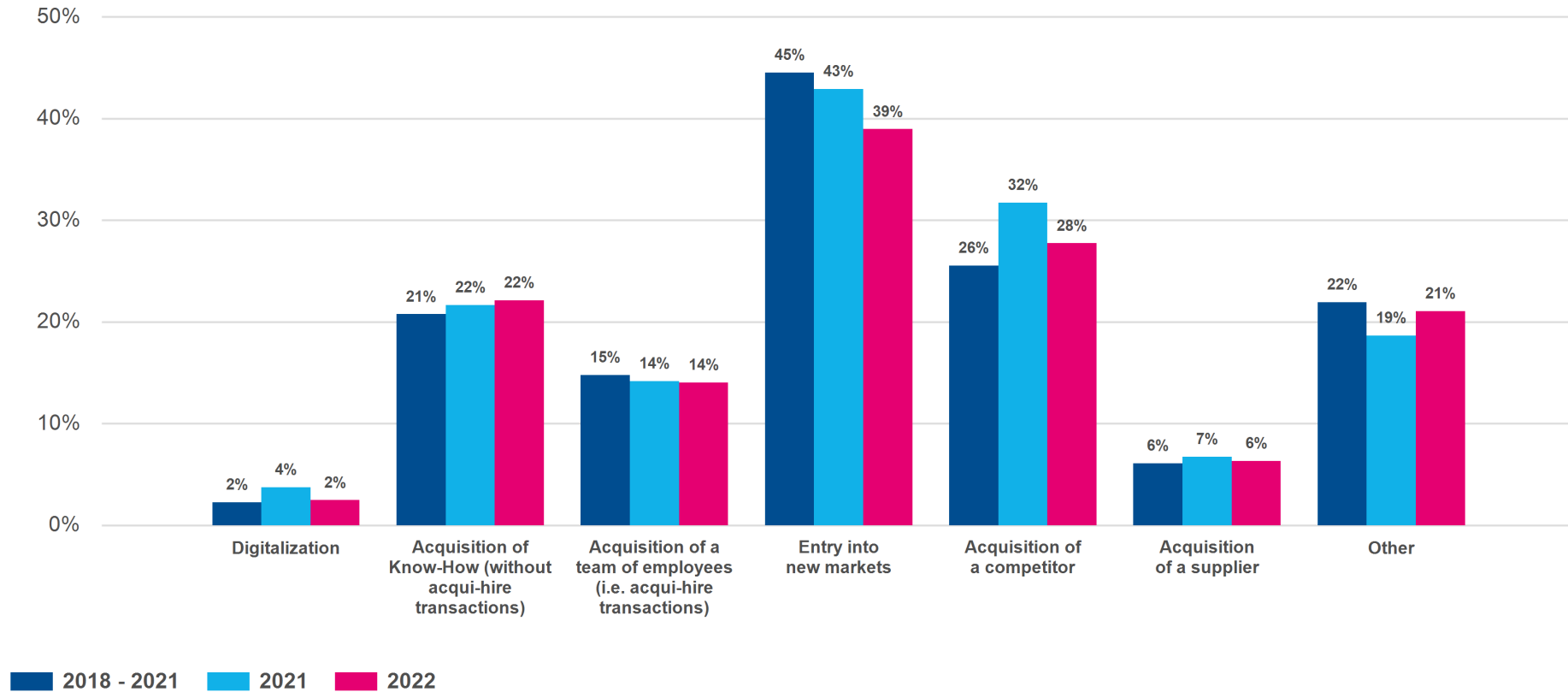
Introduction

Number of transactions 2010 - 2022



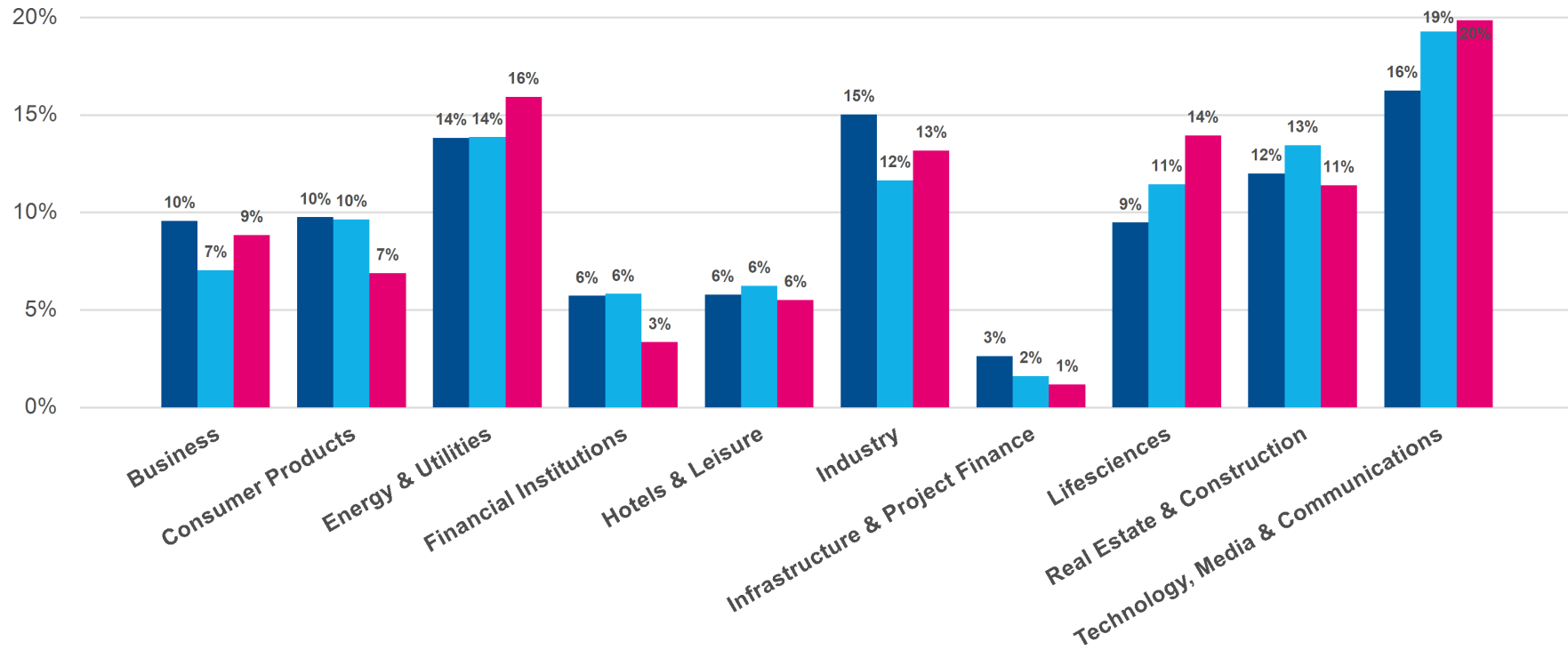
Introduction

Main deal driver 2018 - 2022



Introduction

Sectors 2010 - 2022



■ 2010 - 2021 ■ 2021 ■ 2022

2022 results at a glance

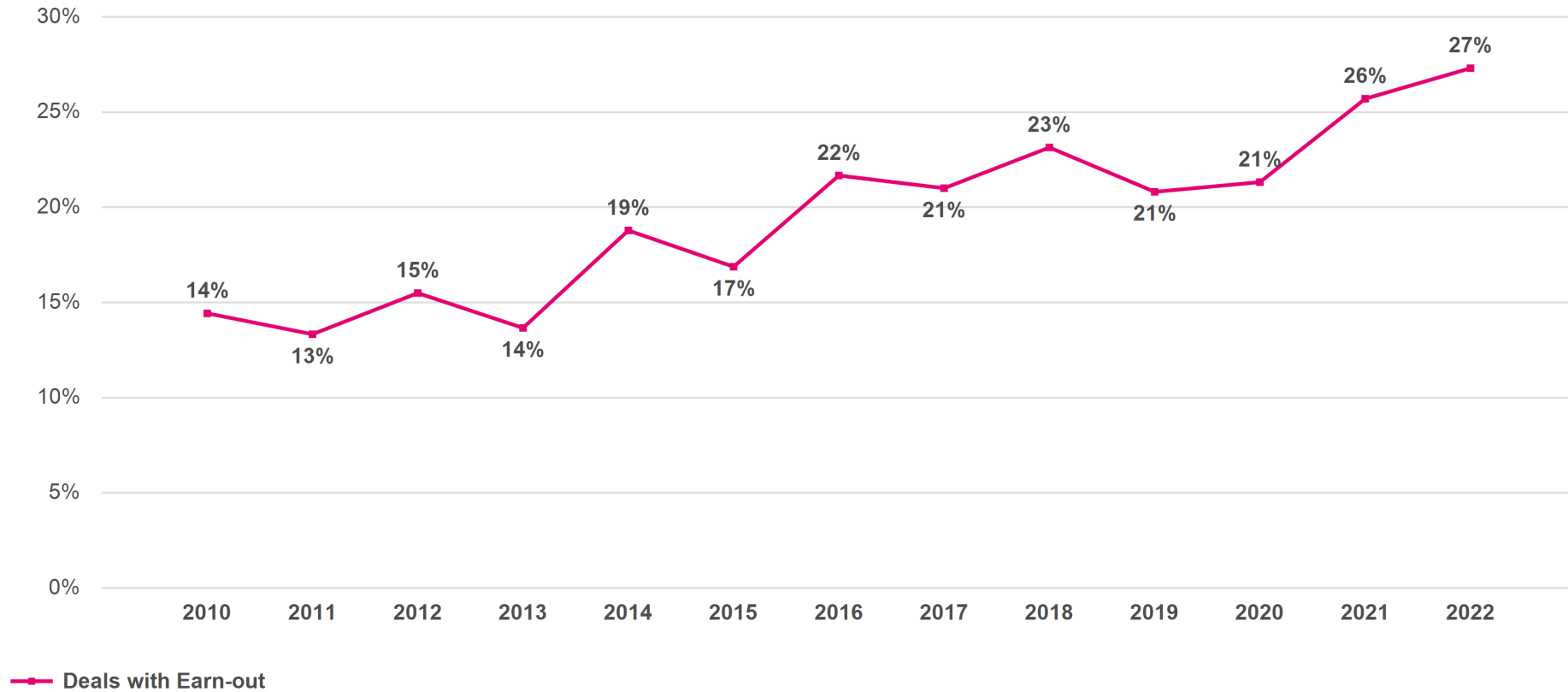
	< EUR 25M	EUR 25M – 100M	> EUR 100M
PURCHASE PRICE ADJUSTMENT (PPA)	44%	52%	56%
LOCKED BOX (NO PPA)	56%	79%	67%
EARN-OUTS	30%	29%	9%
– SHORT EARN-OUTS (12 MONTHS OR LESS)	22%	15%	33%
– LONG EARN-OUTS (MORE THAN 36 MONTHS)	15%	26%	0%
– EBIT / EBITDA-BASED EARN-OUTS	48%	68%	60%
– TURNOVER-BASED EARN-OUTS	29%	13%	40%
LIABILITY CAP (LESS THAN 10% OF PRICE)	7%	19%	42%
LIABILITY CAP (LESS THAN 25% OF PRICE)	28%	45%	55%

	< EUR 25M	EUR 25M – 100M	> EUR 100M
W&I INSURANCE USAGE	5%	27%	58%
LIMITATION PERIOD (OF MORE THAN 24 MONTHS)	30%	23%	26%
SECURITY FOR WARRANTY CLAIMS	30%	23%	26%
ESCROW ACCOUNT (IF SECURITY FOR WARRANTY CLAIMS IS AGREED)	34%	40%	57%
MAC CLAUSE	14%	12%	6%
ARBITRATION	27%	47%	46%
TAX INDEMNITY CLAUSE	56%	64%	65%

Earn-Out

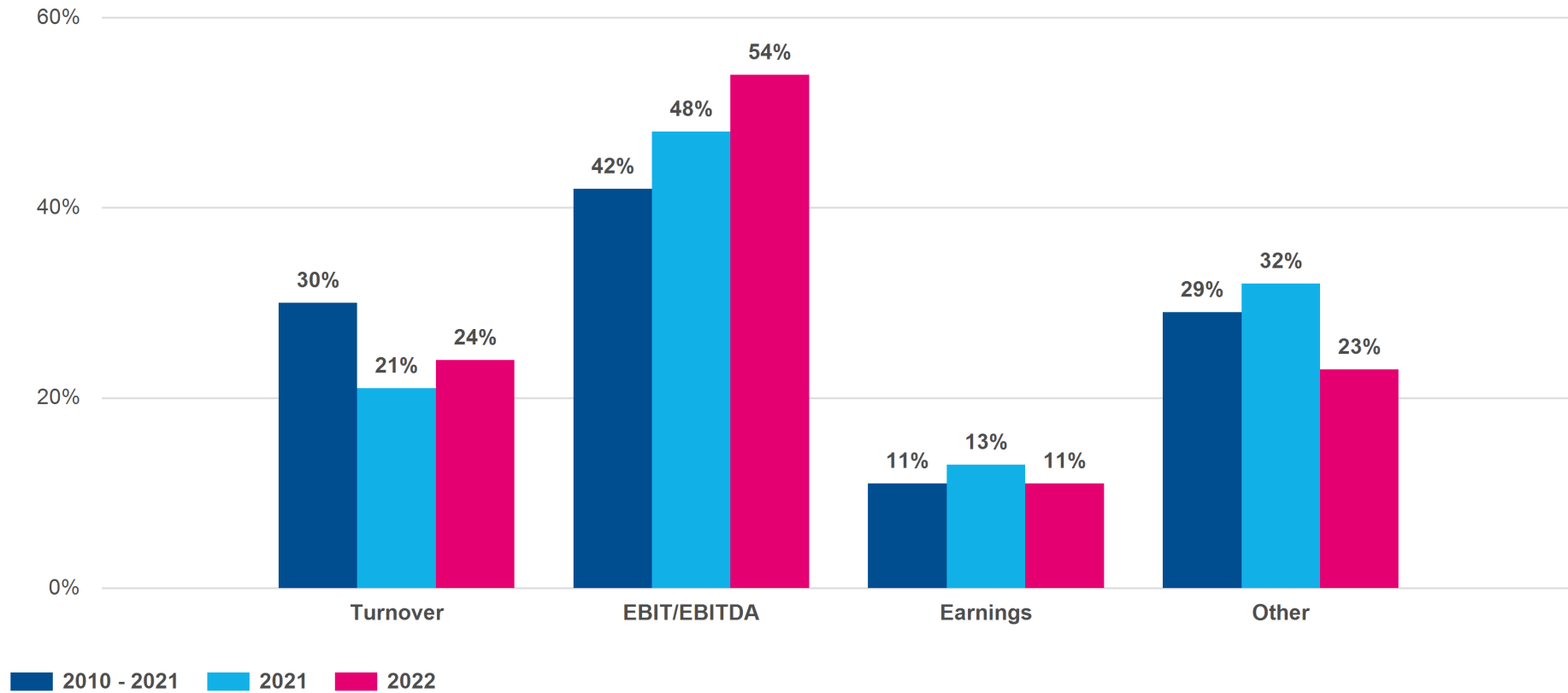
Earn-out

Trend Index 2010 - 2022



Earn-out

Comparison of criteria used for Earn-out



100% = all evaluated transactions

Frequency of Earn-out Mechanism

SECTOR	2010 – 2021	2021	2022
BANKING & FINANCE	15%	21%	35%
HOTELS & LEISURE	11%	16%	18%
ENERGY & CLIMATE CHANGE	17%	29%	19%
CONSUMER PRODUCTS	18%	23%	26%
TECHNOLOGY, MEDIA & COMMUNICATIONS	26%	34%	29%
INFRASTRUCTURE & PROJECTS	8%	0%	67%
LIFE SCIENCES & HEALTHCARE	33%	44%	54%
REAL ESTATE	12%	7%	21%
INDUSTRY	17%	22%	19%
BUSINESS (OTHER SERVICES)	23%	29%	18%
CMS AVERAGE	19%	26%	27%

100% = all evaluated transactions of the respective sector

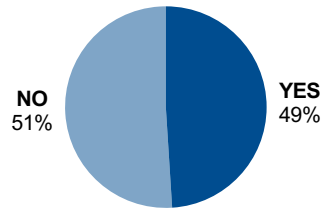
PPA

Purchase Price Adjustment 2010 – 2022

2010 – 2021



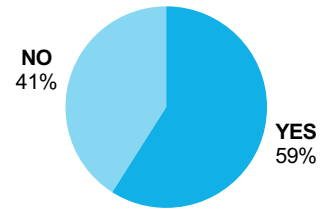
LOCKED BOX



2021



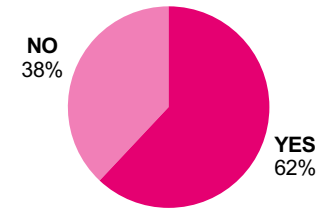
LOCKED BOX



2022



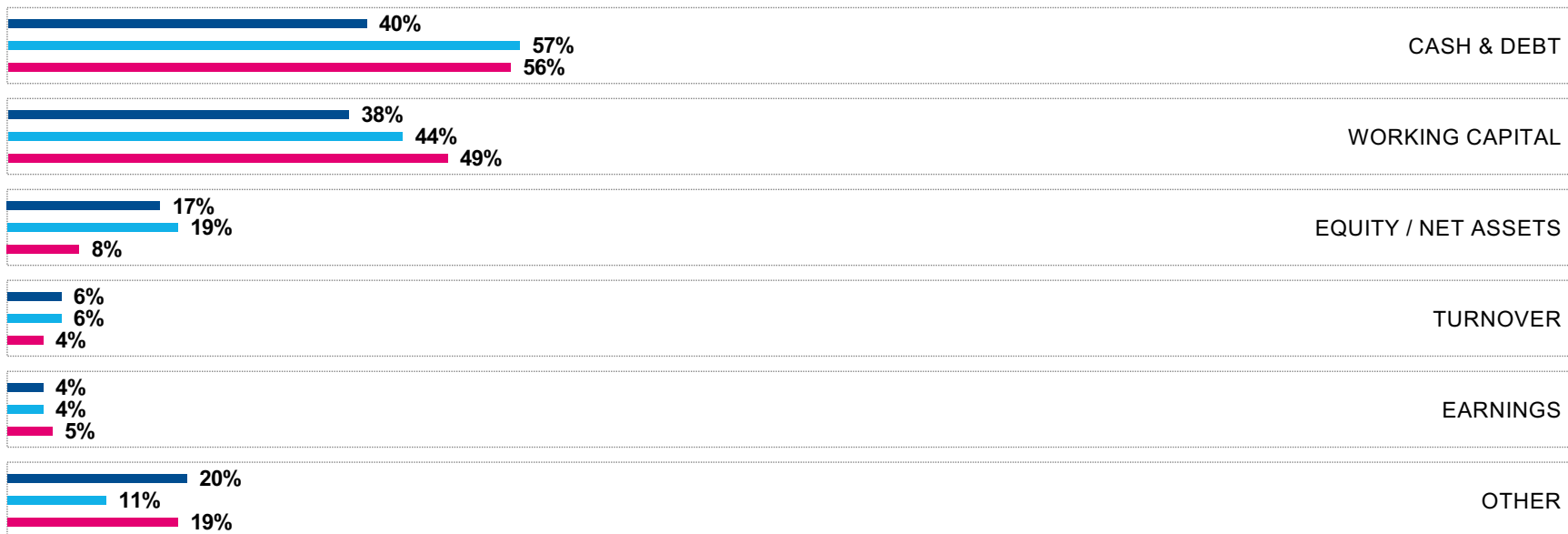
LOCKED BOX



100% = all evaluated transactions

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Chosen Criteria



■ 2010 – 2021
 ■ 2021
 ■ 2022

Cash & debt does not include 'cash only' and 'debt only'
 100% = all transactions including a purchase price adjustment – multiple criteria may apply

Purchase Price Adjustment Europe / US

EUROPE



US



100% = all evaluated transactions

De Minimis and Liability Caps

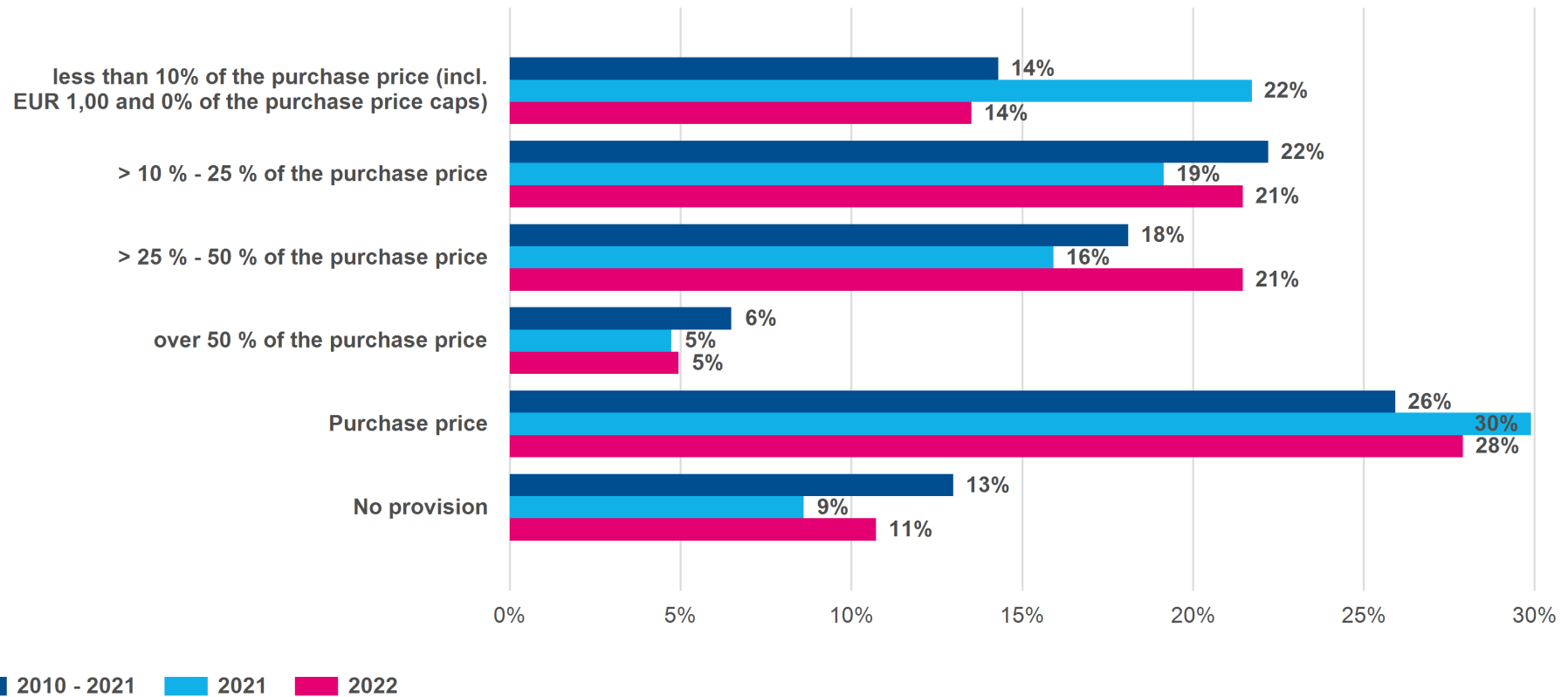
De Minimis Levels 2011 – 2022



■ 2010 – 2021
 ■ 2021
 ■ 2022
 100 % = all evaluated transactions

Liability caps

Time trend 2010 - 2022



100% = all evaluated transactions

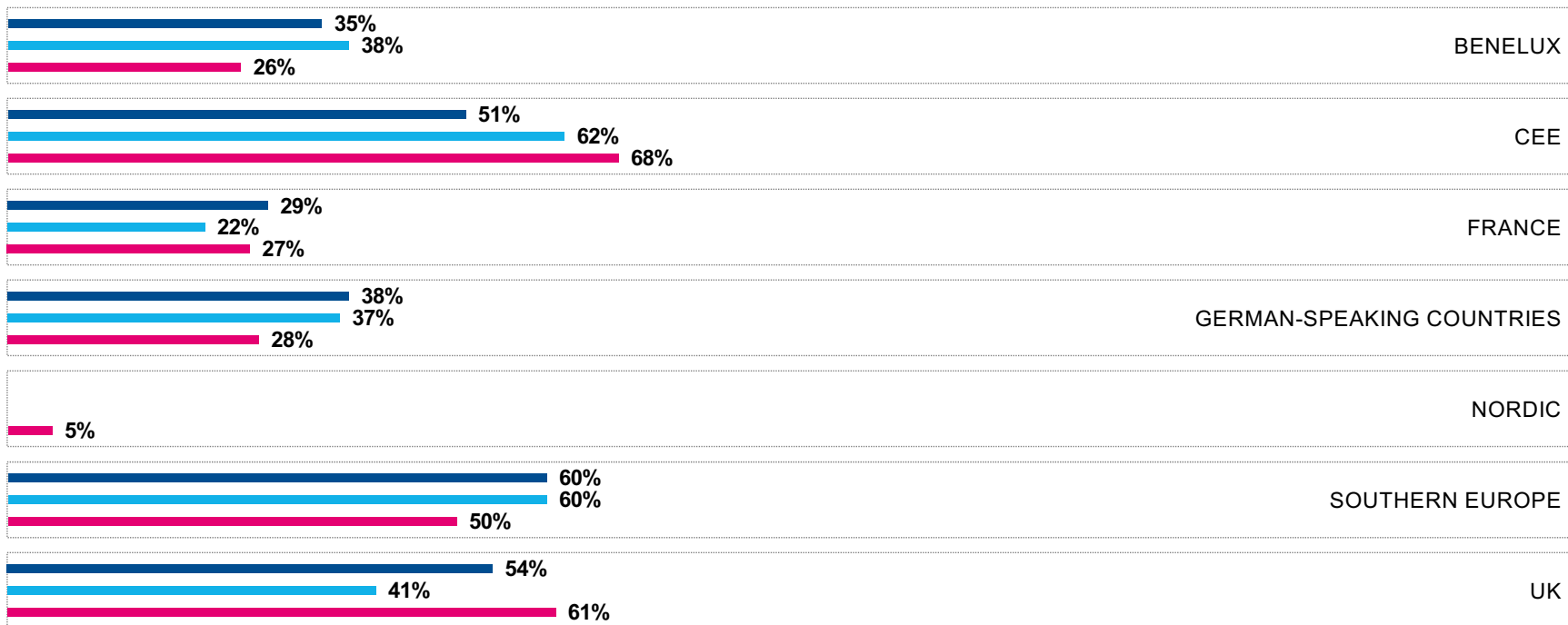
Amount of Liability Cap by Deal Size



■ < EUR 25m
 ■ EUR 25m – 100m
 ■ > EUR 100m
 100 % = all evaluated transactions

Time Trend Europe

Liability Caps of more than 50%



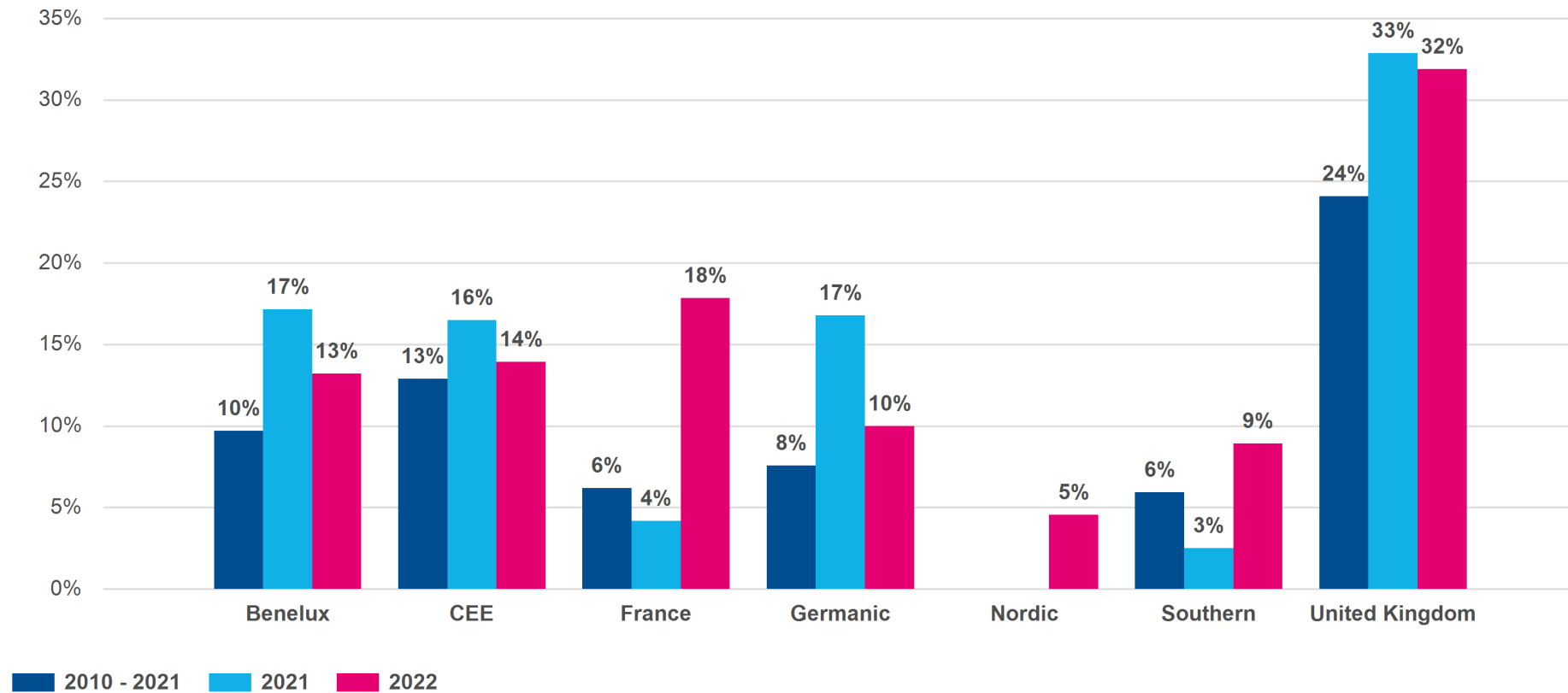
■ 2010 – 2021
 ■ 2021
 ■ 2022
 100 % = all transactions with a basket available

No data for region Nordic before 2022

W&I Insurance

Warranty & Indemnity insurance

Frequency of Warranty & Indemnity insurance 2010 – 2022



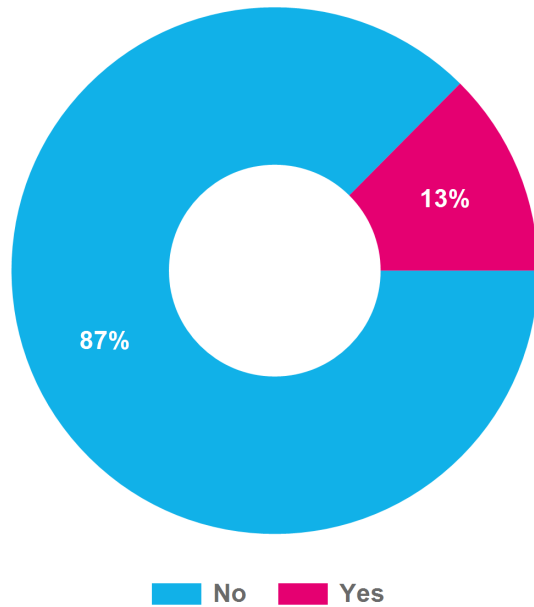
100% = all evaluated transactions
No data for region Nordic before 2022 available

Europe/US

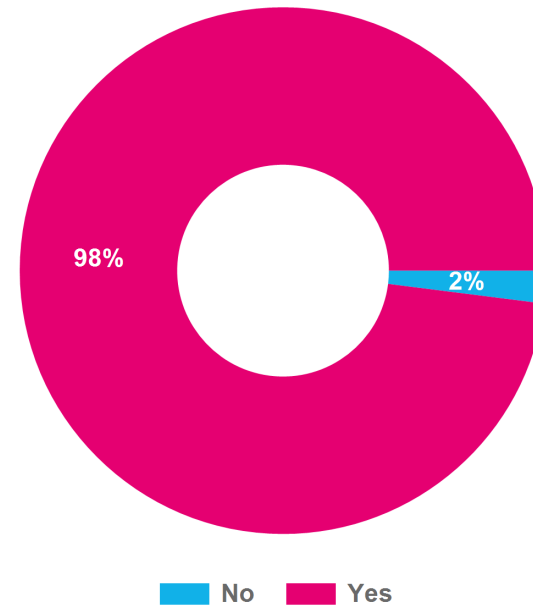
MAC clauses

Europe / USA

Europe 2022



USA* 2021



100% = all evaluated transactions

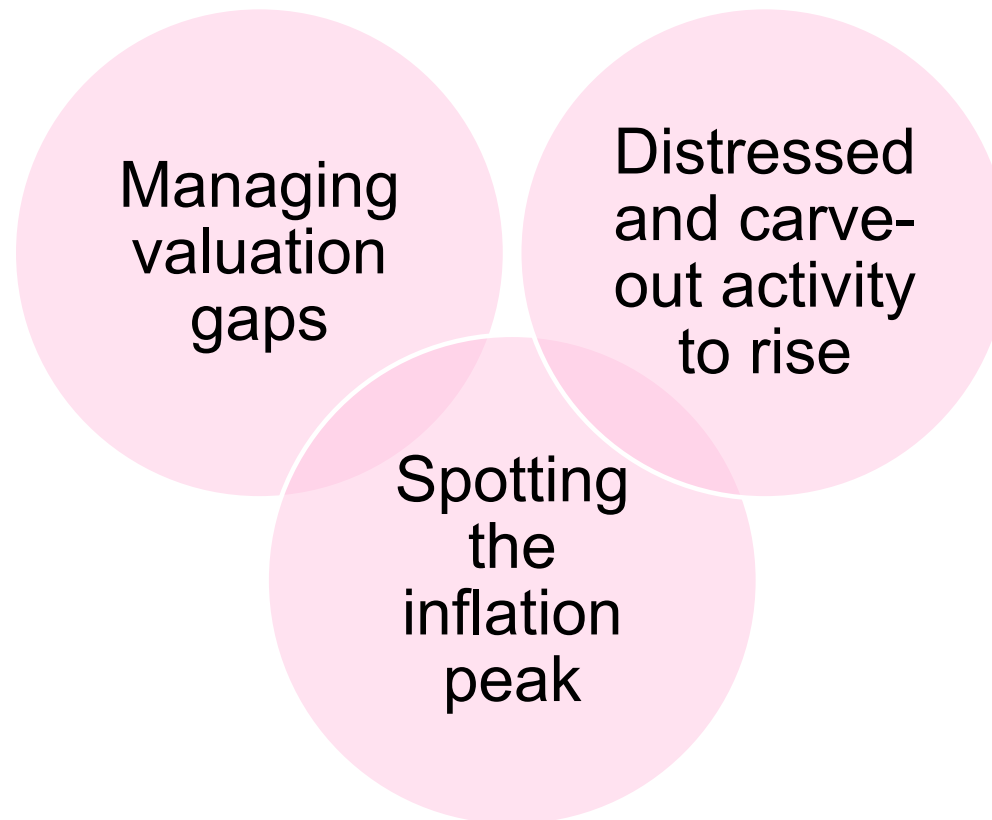
*The US data was derived from "SRS Acquiom 2022 M&A Deal Terms Study" produced by SRS Acquiom Inc.

Europe / US differences

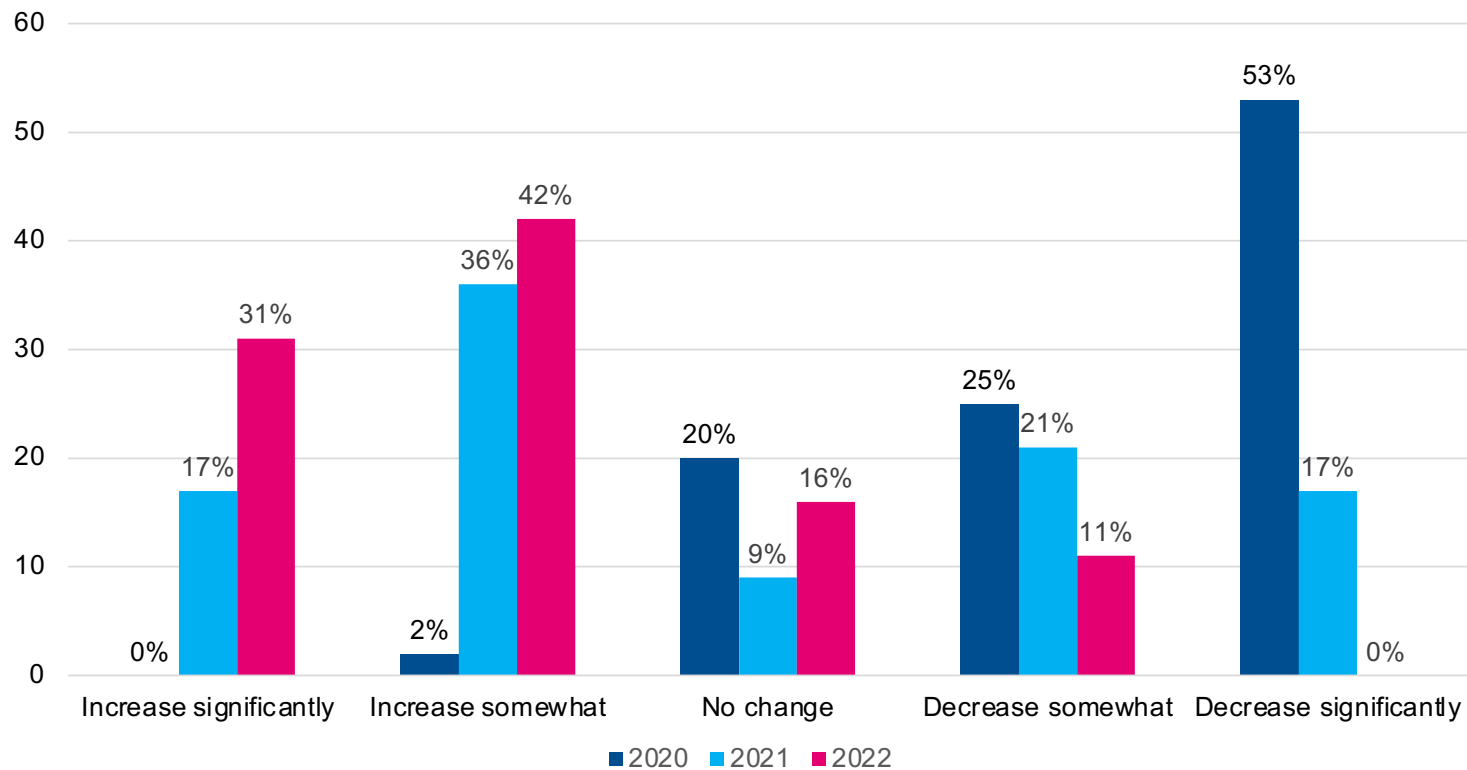
	2021 EUROPE	2022 EUROPE	2020 / 2021 US ABA	2021 US SRS	2022 US SRS
PURCHASE PRICE ADJUSTMENT	47%	48%	93%	91%	92%
WORKING CAPITAL ADJUSTMENT	44%	49%	87%	87%	88%
EARN-OUT DEALS	26%	27%	20%	19%	18%
<i>DE MINIMIS</i>	74%	72%	38%	28%	25%
BASKET	67%	69%	90%	85%	84%
BASKET THRESHOLD (1% OR LESS)	67%	63%	96%	91%	94%
'EXCESS ONLY' RECOVERY (BASKET)	16%	19%	75%	54%	54%
'FIRST DOLLAR' RECOVERY (BASKET)	84%	81%	13%	45%	44%
SUB-25% LIABILITY CAPS	41%	39%	99%	90%	97%
MAC CLAUSES	16%	13%	96%	98%	98%
SECURITY FOR CLAIMS	28%	28%	63%	68%	65%
W&I INSURANCE USED	19%	16%	65%	N/A	44%

2023 Boom and Gloom?

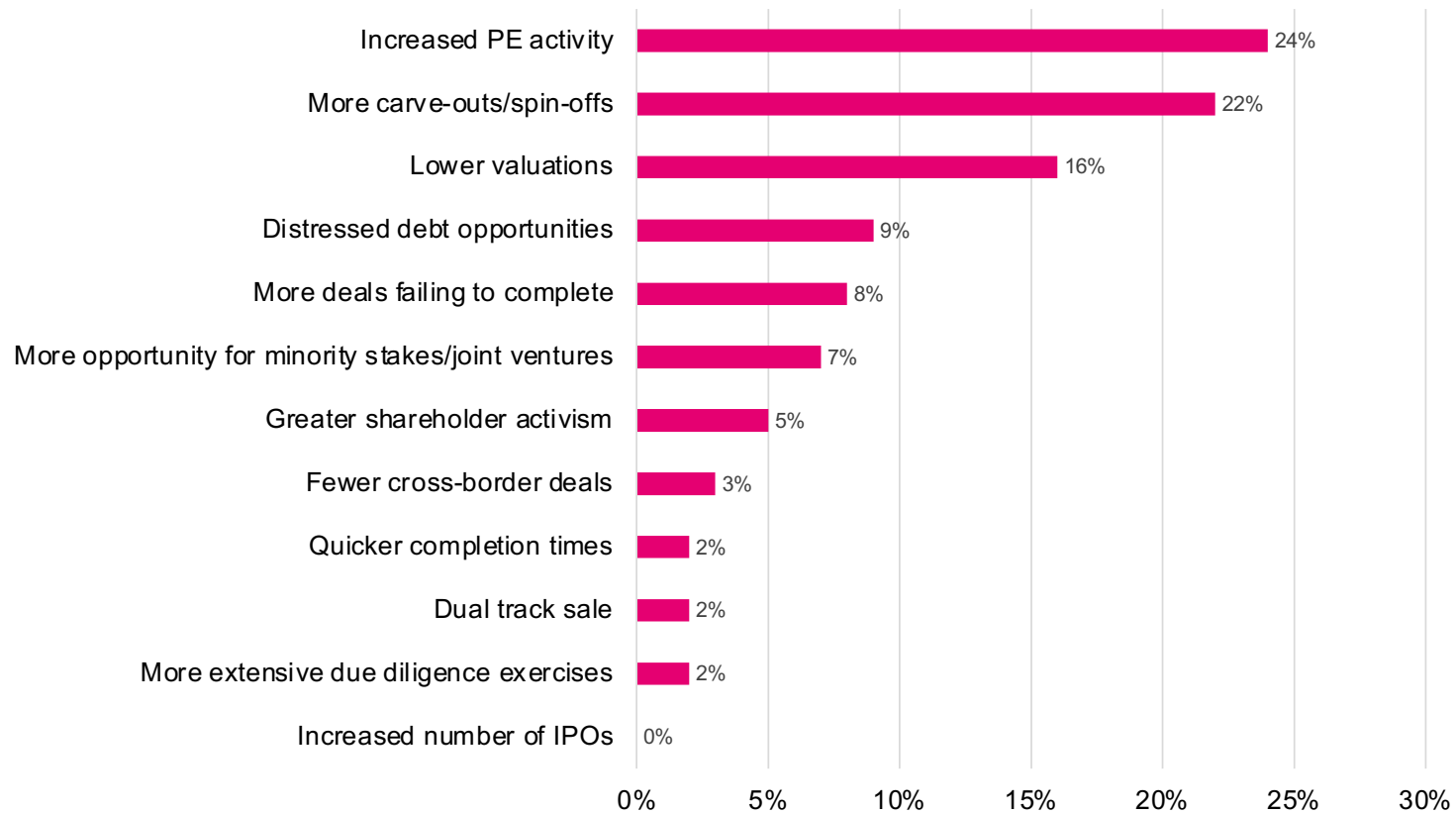
CMS European M&A Outlook 2023: Key findings



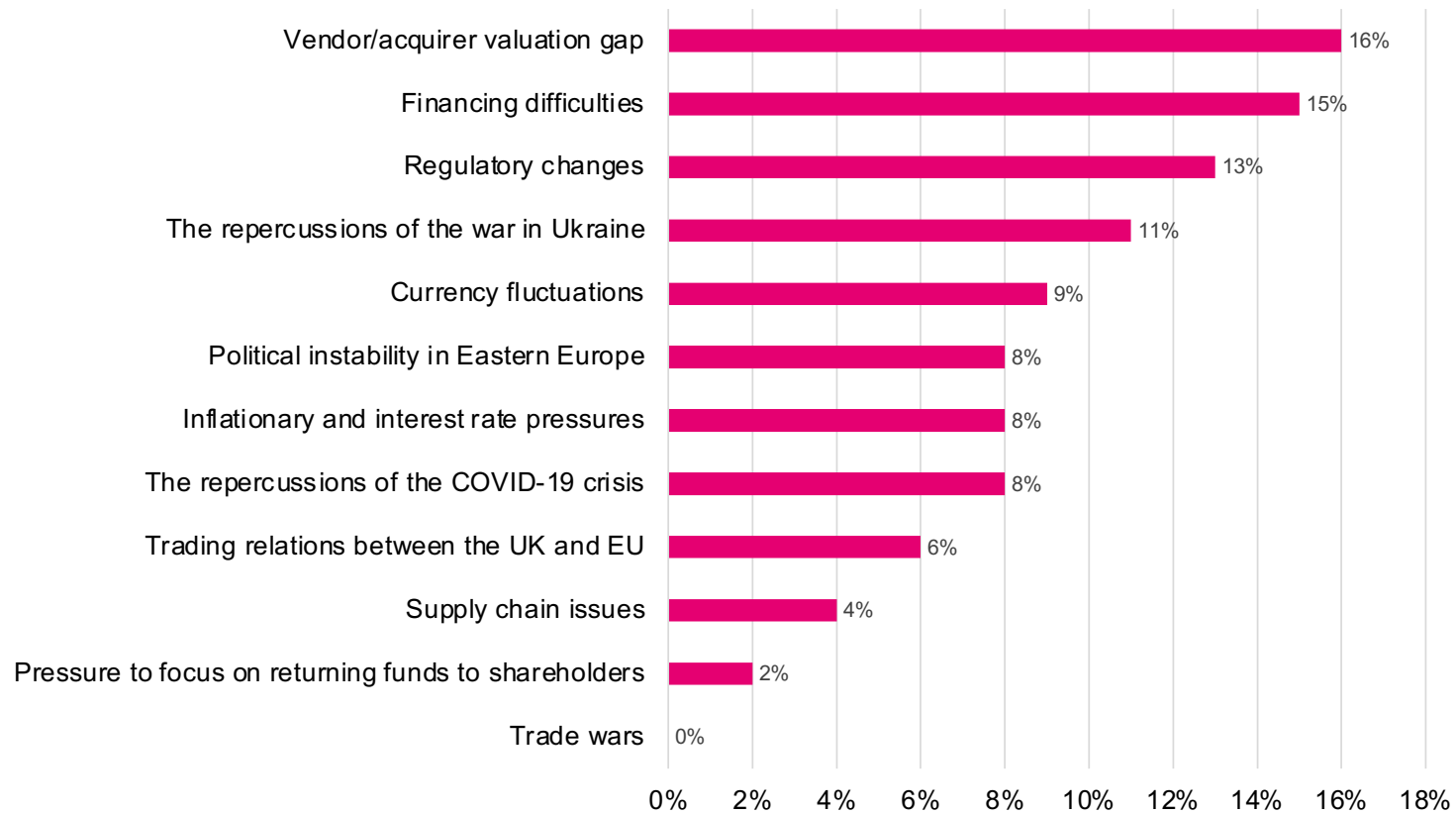
What do you expect to happen to the level of European M&A activity over the next 12 months?



What trends do you expect to see in European M&A in the next 12 months?

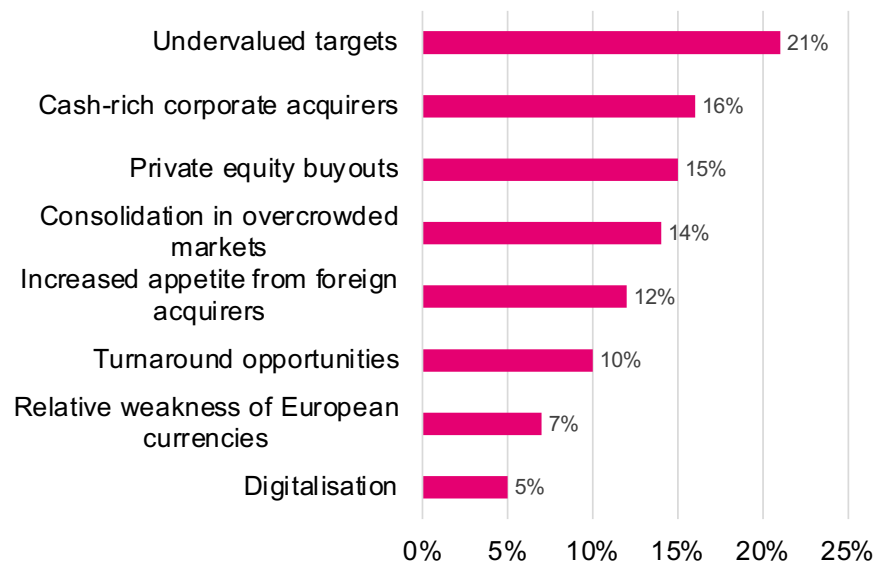


What do you believe will be the principal obstacles to M&A activity in Europe over the next 12 months?

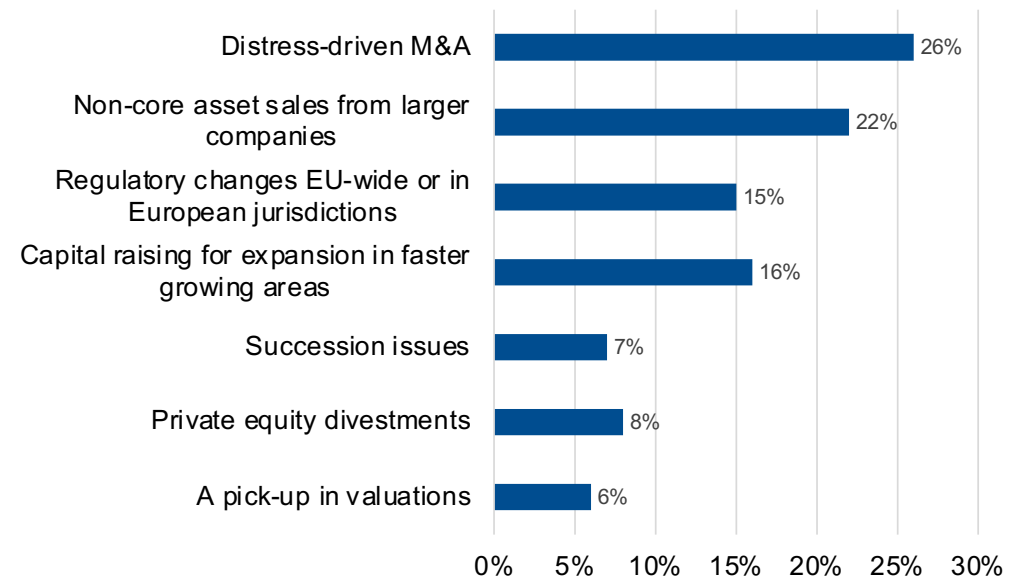


What do you believe will be the greatest drivers of M&A activity in Europe over the next 12 months?

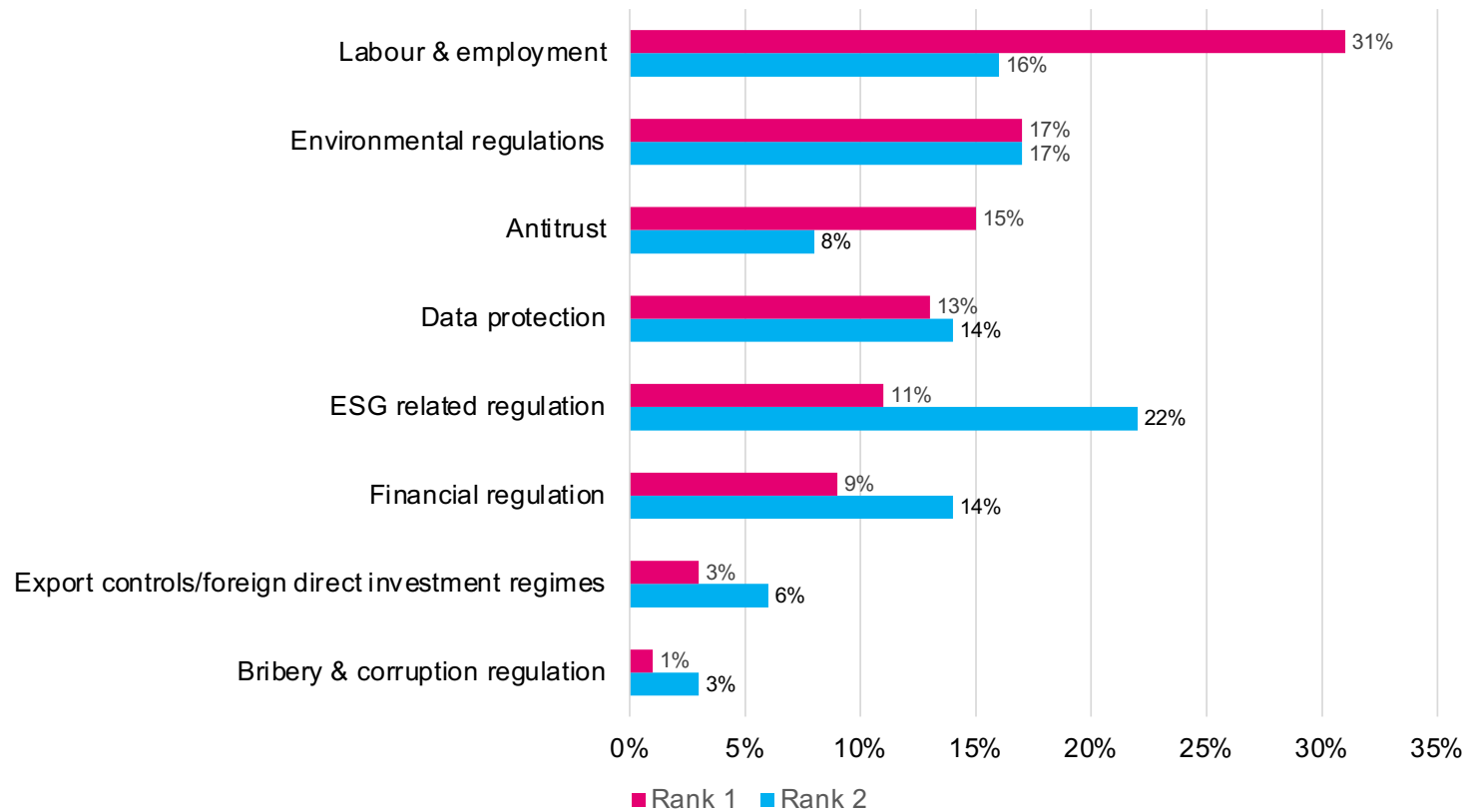
Buy-side



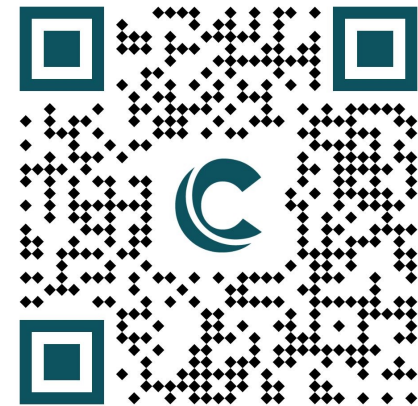
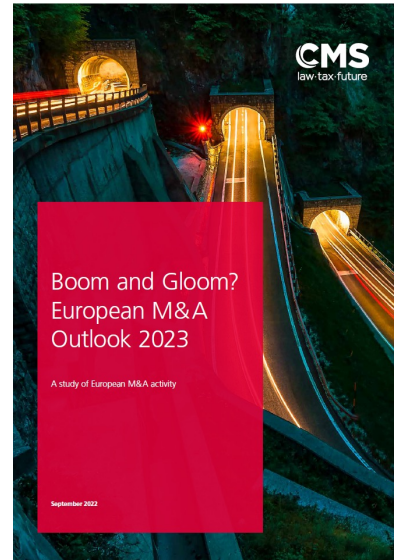
Sell-side



Which form of regulation do you find most challenging when doing a deal in Europe?
(Please select the two most important, 1 = most important, 2 = second most important)

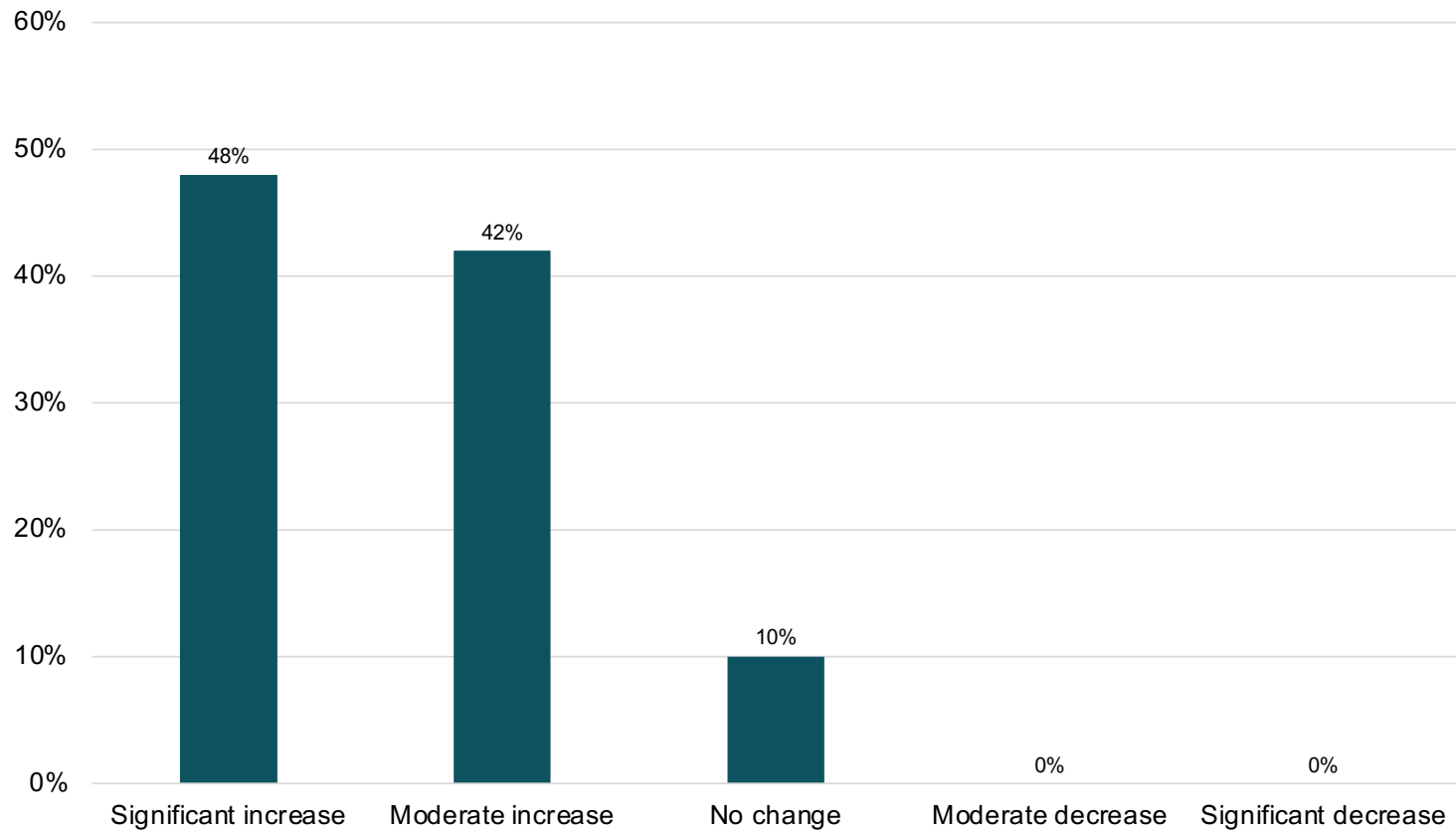


CMS European M&A Study 2022 and European M&A Outlook 2023

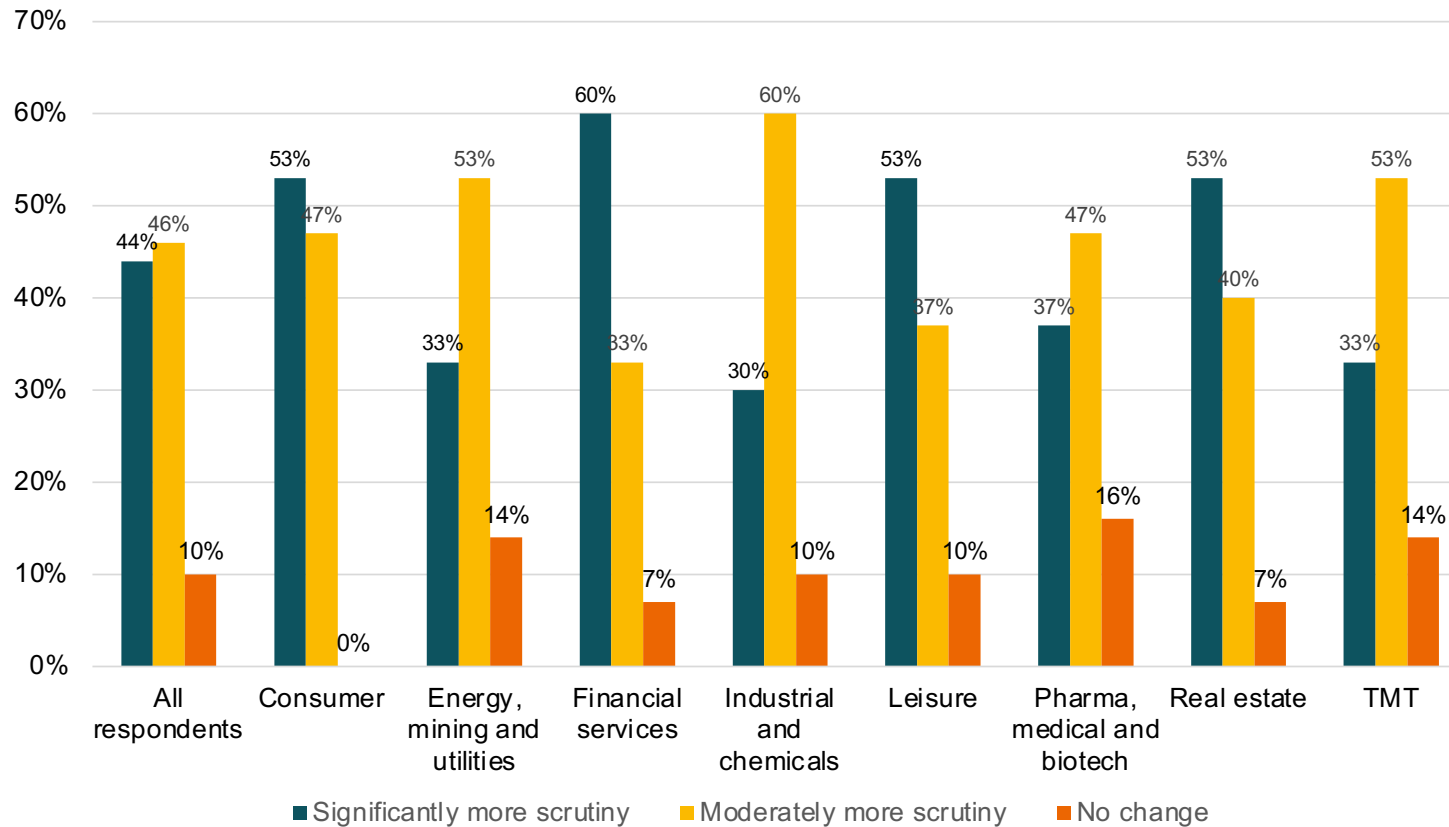


ESG Considerations in M&A transactions

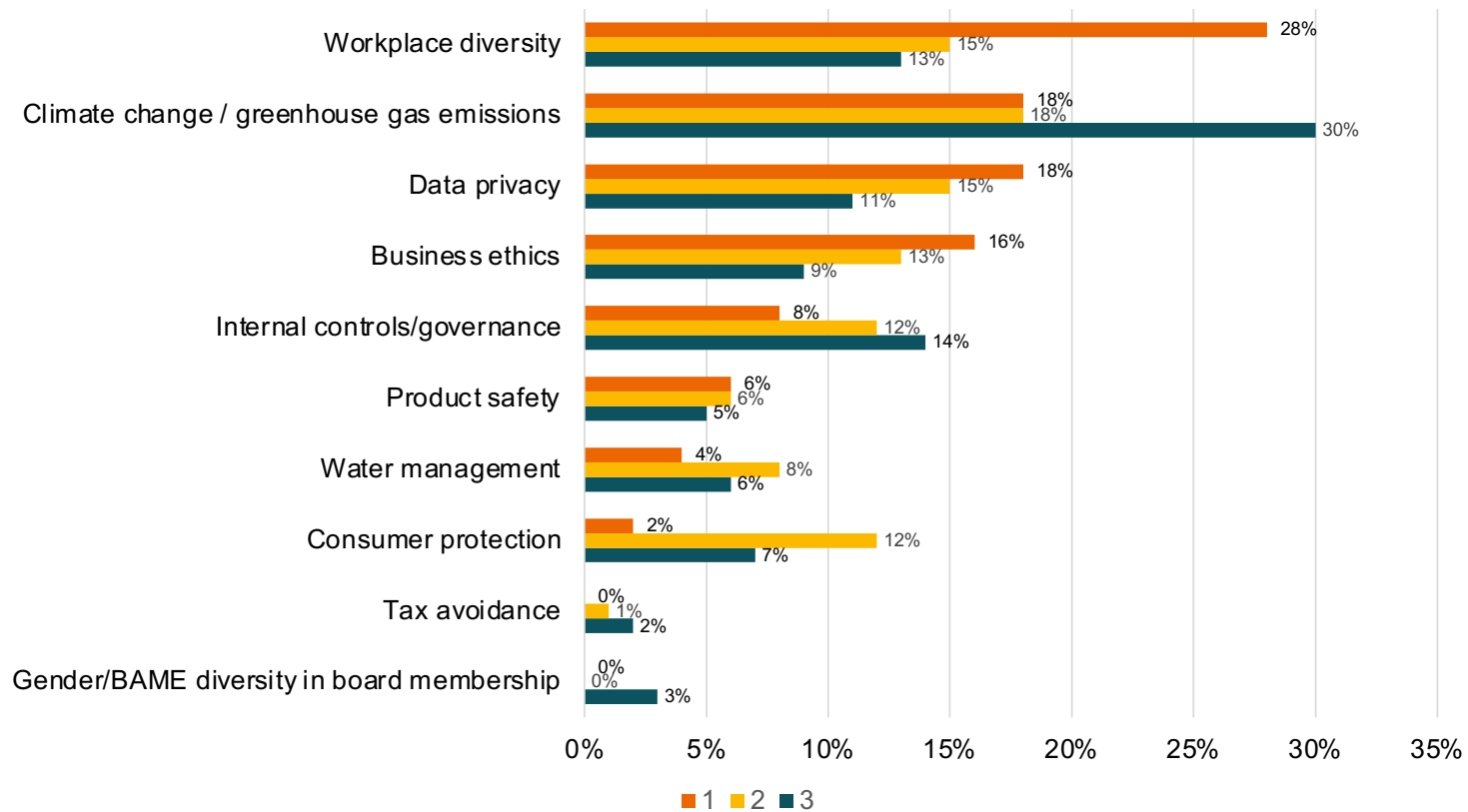
How do you expect ESG scrutiny to change in deals over the next three years?



How do you expect due diligence to change in terms of ESG factors in transactions in the next three years?



Which ESG issues are most important to your firm and your current investor base? (Rank from 1 to 3, where 1 = most important)



CMS Global ESG Brochure



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