



Deal Drivers: **EMEA 2022 Outlook**

Outlook for 2022

M&A has hit all-time highs in EMEA in 2021 and activity is unlikely to slow down in 2022.

Dealmaking speculation remains highly elevated - especially in sectors where M&A has been strongest during the COVID-19 pandemic.

Four areas look set to dominate dealmaking activity in 2022: the **TMT**, **consumer**, and **I&C** sectors - which were also the three busiest areas of the market, by value, in Q3 2021 - as well as **eastern EMEA**. But it's also worth keeping an eye on business services – although much will depend on the spread of the Omicron variant.

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between June 1, 2021 to November 25, 2021. Opportunities are captured according to the dominant geography and sector of the potential target company.
* Incl. Israel and sub-Saharan Africa

	UK & Ireland	DACH	France	Nordics	Italy & Iberia	Benelux	Turkey, ME & Africa*	CEE & SEE	Grand total
TMT	109	70	34	53	87	24	95	135	607
Consumer	52	49	19	24	161	27	57	84	473
Industrials & Chemicals	30	64	32	41	105	30	61	93	456
Business Services	33	27	17	21	56	23	38	35	250
Energy/Mining/Utilities	41	17	13	14	43	9	56	50	243
Financial Services	49	13	18	17	31	9	51	31	219
Pharma/Med/Biotech	19	39	11	24	31	16	36	26	202
Transportation	5	13	11	4	16	7	33	18	107
Leisure	24	5	5	1	25	5	15	20	100
Construction	7	9	6	7	8	4	21	24	86
Real Estate	10	8	4	3	13	2	12	11	63
Agriculture	3		1	4	4	1	12	25	50
Defence	2	1		1	2				6
Total	384	315	171	214	582	157	487	552	2862

1 Tech in pole position

Technology, media, and telecommunications (TMT) continues to attract huge attention. From the beginning of June to late November 2021, there were 607 stories about potential deals in the sector (see chart, p1) – accounting for just over 20% of all M&A coverage.

While 109 stories were linked to UK & Irish targets alone, it is not the only sub-region that looks set to see heightened activity. For example, there were 135 stories about CEE & SEE TMT companies, potentially boosted by the attention focused on the Q3 €6.6bn deal between US cybersecurity group NortonLifeLock and Prague-based Avast. There were also 87 stories concerning Italian & Iberian TMT companies, following the Q3 2021 purchase of the marketing technology company Advice Group by the investment fund Metrika for €5.2bn.



TMT for three: the UK & Ireland, CEE & SEE, and Italy & Iberia look ripe for more deals in 2021



Clean up in aisle 2: renewed interest in the consumer sector is clear from competition for assets

2 Supermarket sweep

Consumer is likely to be the second-busiest sector: there were 473 stories regarding potential deals. Appetite for these companies reflects the return of consumer confidence as vaccination programs across EMEA continue to increase their coverage. Competition for the best assets is strong, as the contested race to buy the WM Morrisons supermarket group in the UK attests.

Notably, Italy & Iberia attracted the largest number of stories about consumer targets. Indeed, this part of the EMEA region saw more stories overall than any other during the period tracked, accounting for 582 of the 2,862 total.

Such elevated speculation reflects the very strong M&A figures recorded in these countries over 2021, with Italy & Iberia recording double-digit increases in volume and value over the first nine months of the year. Having been struck down early in the first wave of the pandemic in 2020, Italy & Spain have hit challenging vaccination targets this year and are expected to deliver economic growth ahead of the rest of the eurozone area.

3 Industrial power

The industrials & chemicals (I&C) sector looks set to generate further deals in the months to come. So far, there have been 456 stories focused on I&C companies between June and November 2021.

Again, this is a sector where dealmaking has been elevated for some time. In Italy & Iberia, for example, the sector accounts for two of the top five largest transactions during Q3 2021 including private equity group Bain Capital's €1.89bn deal for Industria de Turbo Propulsores.

In the DACH region, the 64 I&C stories follow the €7.1bn Q3 2021 bid by French auto equipment maker Faurecia for a controlling stake in its German counterpart HELLA.



Flying high:
Big deals are turbo-charging I&C



4 Look east

Meanwhile, the CEE & SEE countries accounted for 552 of the stories tracked. The region saw particularly strong M&A figures during the first nine months of 2021.

Outside of continental Europe, Turkey, the Middle East & Africa shows 487 stories on potential deals, including 95 focused on TMT companies. This is a broad group of countries, ranging from Israel, which accelerated out of the pandemic strongly with very high vaccination rates, to sub-Saharan African countries, where the recovery has been slower. But the prospect of significant numbers of deals across these countries in the months ahead should not be overlooked.

Promising prospects: Turkey, ME & Africa looks ripe for deals, especially in TMT

Drivers for 2022

Looking forward, there is every reason to expect 2022 to be another boom year.

Deal value in the region for the year to end-Q3 2021 came in at €980bn, 100% up on the same period last year, with deal volumes climbing 49% to 7,545. Will the pace and level of M&A activity continue? The forecast looks positive so far for 2022.

Economies are predicted to expand in the region, provided further lockdowns aren't in order. And while not exactly positive in nature, the rise in distressed deals is expected to continue. Combine these factors with the TMT boom, ESG-related divestitures, and the high levels of PE dry powder and M&A dealmakers could be set for a very good year.

1 Strong economic outlook

2 Distress looms large

3 The TMT boom


4 The ESG agenda

5 Dry powder hits a high

1 Strong economic outlook

While the roll-out of vaccination programs worldwide has been patchy in the 12 months since they began, there is now confidence that science could offer a way out of the COVID-19 crisis. This underpins a supportive economic background for M&A activity. The International Monetary Fund expects the eurozone economy to expand by 4.3% during 2022, following 5.0% growth in 2021, and the UK economy to expand by 5.0%, following 6.8% in 2021. It is also bullish on the Middle East and Africa.

Even so, the risk of disappointment remains real. The emergence of new virus variants could damage recovery. And pandemic-related issues, like supply chain disruption, represent a strong headwind. Rising inflation also worries policymakers. Nevertheless, as demand bounces back the economic outlook provides a fair wind for M&A activity.



A big leap forward: the IMF expects the eurozone economy to expand by 4.3% in 2022



2 Distress looms large

Inevitably, the economic recovery from the pandemic will come too late for some businesses and their subsidiaries – there is already evidence of a rise in distressed dealmaking, with divestments in the EMEA region on the increase as companies seek to reduce debt and sell off struggling units.

This kind of activity looks likely to accelerate as policymakers worldwide begin to withdraw the unprecedented fiscal and monetary support they extended to businesses hit by the pandemic. In particular, recent months have seen central banks begin to raise interest rates – led by Norway – which will put the squeeze on indebted corporates.

**Divestments are increasing:
companies are looking to reduce
debt and sell off struggling units**

3 The TMT boom

Pandemic impact: digital transformation is on the agenda for every company

The fast-growth prospects of cutting-edge technology businesses have long excited dealmakers. But one impact of the pandemic has been that every company now sees the imperative for digital transformation. Factors including soaring ecommerce, a widespread shift to hybrid working practices, and the rise of streaming in the leisure, media, and technology sectors are hugely powerful. The emergence of new technologies, including AI, the Internet of Things, and big data and analytics, adds to the pressure on every business to modernize.

TMT accounted for more than a quarter (525) of all deals announced in Q3 2021 in EMEA and over 17% of the aggregate value. And the pace of M&A in the sector shows no sign of abating as we head into 2022.



The background of the slide features a wind turbine against a sunset sky. There are decorative elements: a horizontal orange bar at the top left, a vertical white bar on the left side, and a yellow bar at the bottom left containing text.

4 The ESG agenda

Environmental, social, and governance (ESG) factors are no longer a niche interest. In fact, respondents to a recent [Datasite survey](#) ranked the 'environmental' segment of ESG considerations as their top priority. More than half - 65% - have seen ESG risks kill a deal. And 44% expect environmental concerns to be biggest dealbreaker in 2022 - ahead of concerns over COVID-19, inflation, regulation, and geopolitics.

The strength of this trend has begun to have a significant impact on M&A activity. This is set to accelerate, particularly in the wake of the COP26 summit held in the UK during November 2021, where governments committed to new targets on slowing climate change. With corporates facing tough new regulation to meet these targets, their ESG practices will be in ever more focus. This will see deals driven by firms' desires to boost their ESG credentials – and to offload businesses with which they are uncomfortable.

Regulatory impact: deals will be driven by firms' desires to boost their ESG credentials

5 Dry powder hits a high

PE firms look set to drive activity at every level of the M&A market over 2022 – and well beyond – as they race to deploy their cash. Buyout groups entered 2021 sitting on a record US\$1.9 trillion of dry powder.

And while the sector has been a driving force in M&A activity over the course of the year, with buyout volumes and values hitting record highs, it has also continued to raise new cash at breakneck speed. Globally, PE firms raised more than US\$714bn during the first 11 months of 2021, according to data from Preqin.

Inevitably, competition for the best deals has become intense, with the sheer weight of capital pushing buyout valuations higher. But while this may give the sector some pause for thought, there is little prospect of any easing off in dealmaking activity.

A woman in a dark blue business suit is sitting at a wooden desk. She is holding a white smartphone to her ear with her left hand and has her right hand resting on the desk near a silver laptop. The background is a bright, out-of-focus office window. There are yellow and orange graphic bars overlaid on the image.

High and dry: PE firms raised US\$714bn during the first 11 months of 2021

About this report

Produced in partnership with Mergermarket, an Acuris company
Editors (Acuris Studios): Julian Frazer, Yining Su



    #Wheredealsaremade

Get in touch, visit www.datasite.com **or contact:** info@datasite.com **EMEA** +44 20 3031 6300 | **AMERS** +1 888 311 4100 | **APAC** +852 3905 4800

©Datasite. All rights reserved. All trademarks are property of their respective owners.

