

EMEA

Telecoms, media & technology

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

Europe's digital imperative keeps telco activity front and center

TMT activity in the EMEA region was predominantly led by the telecoms sector in 2023. This is a consequence of the need to upgrade fixed-line networks and invest in 5G infrastructure, and as part of Europe's efforts to keep pace with rapid digitalization. Increased connectivity and the amount of data this generates are putting higher demands on existing infrastructure, and operators need to ensure their capital investments keep up.

Currently, fiber networks only reach 56% of households in Europe, while 5G coverage stands at 81% of the population, dropping to 51% in rural areas, according to the EU. Policymakers are targeting 5G networks in all populated areas by 2030 and gigabit coverage for all Europeans, which depends on fiber access.

Although TMT stood out as the top sector for both volume and value, there was an appreciable decline compared with 2022. Total investment value was down 21.3% to €176.8bn, which slightly outperformed the all-sector average. Volume was where the most weakness showed last year. TMT's deal count dropped 18.3% to 3,629 transactions, the steepest of any sector.

TMT M&A activity, 2021-2023



Source: Mergermarket

Fiber is the golden thread

Buyout firm KKR made a €21.7bn bid for a portion of Telecom Italia's fixed-line business, resolving an impasse over the future of the heavily indebted company. The offer involves the creation of a new company, FiberCop, to manage the fixed-line network, including Telecom Italia's last-mile network and its submarine cable unit, Sparkle. KKR previously held a 37.5% stake in the company.

The arrangement has been controversial. Adolfo Urso, Italy's minister for industry, emphasized the importance of the network being controlled by a minority shareholder and Cassa Depositi e Prestiti, the state-backed investor, in the name of national security.

FiberCop was the number-one deal in EMEA overall and ensured that private equity was responsible for no less than 47.5% of all TMT M&A value in 2023. All told, PE sponsors were behind 1,111 transactions, a fall of 20.2% on the year, and these came to €84bn, an increase of 5.6%.



Competition concerns

The sector's third-biggest deal involved a combination of Vodafone and Three, owned by CK Hutchison, to form the UK's largest mobile operator. It's a €6.9bn move both sides claim is essential for making necessary 5G network investments. With 28 million customers, the combined entity (51% owned by Vodafone and 49% by CK Hutchison) would surpass EE.

However, this reduces the number of UK operators from four to three, potentially raising the regulator's hackles over competition concerns and higher consumer prices. Previously, the UK's Competition and Markets Authority scuttled attempts to reduce the number of major operators from four to three, but recent market changes and successful mergers elsewhere in Europe might influence this decision. Vodafone and Three can take encouragement from a ruling in November by the European Commission, which found no evidence of threats to competition from the deal.

TMT top bidders by value | 2023

	€(m)
USA	53,981
United Kingdom	51,460
France	10,575
Germany	8,384
United Arab Emirates	5,374

TMT top bidders by volume | 2023

	Deal count
United Kingdom	605
USA	598
France	375
Germany	325
Sweden	220

TMT top 10 announced deals, 2023

	Announced date	Bidder company	Target company	Target dominant country	Vendor company	Deal value (€m)
1	05-Nov-23	KKR & Co., Inc.; Abu Dhabi Investment Authority	FiberCop S.p.A. (100% Stake)	Italy	TIM S.p.A.	21,700
2	21-Nov-23	Blackstone Inc.; Permira Ltd.; General Atlantic LLC; TCMI Inc.	Adevinta A.S.A. (100% Stake)	Norway	eBay Inc.; Schibsted A.S.A.; Blommenholm Industrier A.S.	14,092
3	14-Jun-23	Vodafone UK Ltd.	Hutchison 3G UK Ltd. (100% Stake)	United Kingdom	Vodafone Group Plc; CK Hutchison Holdings Ltd.	6,944
4	31-Oct-23	Zegona Communications plc	Vodafone Holdings Europe SLU (100% Stake)	Spain	Vodafone Group Plc	5,000
5	18-Dec-23	Vodafone Group Plc; Vodafone Italy S.p.A.	Iliad Italia S.p.A. (100% Stake)	Italy	Iliad S.A.	4,450
6	27-Apr-23	Deutsche Borse AG	SimCorp A.S. (100% Stake)	Denmark		4,003
7	21-Dec-23	HgCapital LLP; TPG Capital L.P.; Intermediate Capital Group Plc; Jane Street Group LLC; New York City Employees Retirement System; Amboise Partners S.A.S.	Visma A.S. (21.05% Stake)	Norway	Canada Pension Plan Investment Board; Vind N.V.; Aeternum	4,000
8	29-Mar-23	Concentrix Corp.	Webhelp S.A. (100% Stake)	France	Groupe Bruxelles Lambert S.A.	3,849
9	21-Apr-23	Olayan Group; First Abu Dhabi Bank PJSC; Mubadala Capital; Abu Dhabi Developmental Holding Co. P.J.S.C.; Brookfield Asset Management Ltd.	Network International Holdings plc (100% Stake)	United Arab Emirates		2,662
10	02-May-23	Investment Management Corporation of Ontario; APG Asset Management N.V.	euNetworks Group Ltd.	United Kingdom	Stonepeak Infrastructure Partners	2,613

Value ad

Private equity was never far away from the action. In November, a consortium comprising Blackstone, Permira, General Atlantic, and TCMI collaborated on a €14.1bn buyout of Adevinta, a Norwegian online classifieds company, the second-biggest TMT deal of the year and the biggest tech play in EMEA. The company was spun off from Schibsted in 2019 and later merged with eBay's classifieds business. The company specializing in secondhand e-commerce clearly believes its new PE backers are going to make something of Adevinta, opting to retain a 20% stake.

One of the most notable features of the deal was its financing. Part of the leverage came from an impressive €4.5bn private credit loan, one of the largest packages ever from direct lenders on a European deal. It's increasingly the case that mega-cap sponsors get their deals over the line with the help of private debt funds, which used to be the preserve of the mid-market.

All things TMT M&A trace back to digital transformation in one way or another. Whether it's the cables and towers that transmit data, data storage, cloud computing, e-commerce or the advent of AI, the sector continues to assert its dominance, even after a year of pronounced underperformance.

TMT league tables

Financial advisors by value

2023	2022	Company name	Value (€m)	Deal count
1	3	JPMorgan	80,853	36
2	2	Morgan Stanley	72,131	25
3	1	Goldman Sachs & Co	71,802	28
4	13	UBS Investment Bank	48,557	17
5	11	Citi	47,316	15
6	14	Deutsche Bank	44,947	15
7	10	BNP Paribas	39,222	17
8	4	Bank of America	32,718	29
9	57	LionTree Advisors	29,829	5
10	45	UniCredit SpA	26,792	5

Financial advisors by volume

2023	2022	Company name	Value (€m)	Deal count
1	1	PricewaterhouseCoopers	6,979	66
2	2	Deloitte	1,645	57
3	3	KPMG	1,183	55
4	6	Rothschild & Co	10,064	49
5	4	Ernst & Young	5,000	42
6	5	Houlihan Lokey	3,379	40
7	14	JPMorgan	80,853	36
8	20	Bank of America	32,718	29
9	13	Clearwater International	210	29
10	9	Goldman Sachs & Co	71,802	28

Legal advisors by value

2023	2022	Company name	Value (€m)	Deal count
1	2	Freshfields Bruckhaus Deringer	66,559	41
2	9	Kirkland & Ellis	57,758	52
3	17	Sullivan & Cromwell	45,953	14
4	14	Clifford Chance	44,850	36
5	1	Latham & Watkins	41,425	64
6	42	Simpson Thacher & Bartlett	40,135	14
7	58	Shearman & Sterling	29,626	15
8	26	Weil Gotshal & Manges	28,688	18
9	10	Linklaters	28,289	35
10	6	Cleary Gottlieb Steen & Hamilton	27,846	10

Legal advisors by volume

2023	2022	Company name	Value (€m)	Deal count
1	1	DLA Piper	7,205	168
2	4	Goodwin Procter	14,699	97
3	3	Orrick Herrington & Sutcliffe	1,938	85
4	22	Eversheds Sutherland	649	78
5	2	CMS	12,407	76
6	6	Latham & Watkins	41,425	64
7	5	White & Case	9,147	58
8	8	Kirkland & Ellis	57,758	52
9	7	Baker McKenzie	9,035	51
10	11	Squire Patton Boggs	1,591	45

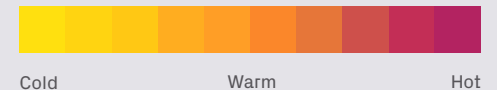
Outlook: EMEA heat chart

Is it time for the UK & Ireland to step aside? It's a market that has long led M&A in EMEA, but Turkey, the Middle East & Africa, including Israel and sub-Saharan Africa, are really flying. With 432 'companies for sale' stories to its name, no geographic market in this region has more potential deals in the offing, though the UK & Ireland come a close second (414).

In the face of global economic challenges like high inflation and the potential for recession in Europe, the Middle East has continued to be an attractive center for M&A activity. A significant driver behind this has been the strong push for economic diversification across the Gulf Cooperation Council countries, which are aiming to reduce their reliance on hydrocarbons and move to sustainable energy sources and other non-oil sectors.

Heat chart based on potential companies for sale

	UK & Ireland	DACH	France	Nordics	Italy	Iberia	Benelux	Turkey, Middle East & Africa	CEE & SEE	TOTAL
TMT	120	73	47	71	17	36	11	109	89	573
Industrials & chemicals	33	94	24	38	62	18	14	52	57	392
Consumer	49	36	14	17	57	28	23	49	55	328
Business services	58	25	36	23	25	31	17	36	27	278
Pharma, medical & biotech	40	46	23	44	7	15	11	22	17	225
Financial services	34	24	26	7	17	14	25	44	29	220
Energy, mining & utilities	27	8	5	12	18	22	3	47	36	178
Leisure	33	6	4	3	17	14	5	15	16	113
Construction	6	15	2	6	8	7	4	26	6	80
Transportation	8	2	5	4	14	4	1	21	14	73
Real estate	3	4	2	4	2	7	4	8	4	38
Agriculture	3		3	3	3	2		3	2	19
Defense		2	2							4
TOTAL	414	335	193	232	247	198	118	432	352	2,521



Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between July 01, 2023 and December 31, 2023. Opportunities are captured according to the dominant geography and sector of the potential target company.



Strategic transformation and inorganic growth via acquisitions have been common, as businesses in the region seek to expand market share and quickly scale capabilities up. In particular, sovereign wealth funds like Saudi Arabia's Public Investment Fund (PIF) are playing a decisive role, capitalizing on more attractive valuations amid global economic uncertainty, to support their countries' economic diversification. These cash-heavy funds have been forming strategic partnerships and expanding regional economies by developing local businesses to gain exposure to international assets.

The hottest spot in this specific market is telecoms, media and technology (TMT), as it is across EMEA. Turkey, the Middle East & Africa count 109 such deals in the making, slightly behind the UK & Ireland's 120. Across EMEA, there are 573 TMT deal reports, or 22.7% of the cross-sector grand total of 2,521.

Distress signals

Industrial and chemicals (I&C) is another sector to watch, particularly in the DACH market. The segment has a possible 392 transactions in the works and DACH accounts for 94 of these. The industrials sector is a cornerstone of Germany's economy, which is not in good shape.

Corporations in Germany have been identified as the most-distressed group among the countries measured by the Weil European Distress Index in recent months, rising to the highest level since May 2020. This distress is characterized by factors such as liquidity pressures, reduced profitability, rising insolvency risk, falling valuations, and reduced return on investment.

As energy-intensive businesses, I&C corporations have been squeezed in Germany by higher electricity costs and sluggish exports to China, its biggest trade partner.

Still, it is real estate, healthcare, and retail and consumer businesses that are feeling the most pressure across Europe, for different reasons. There is little doubt that at least some of this will flow through into distressed M&A activity in 2024. High-profile retail sector insolvencies in the UK such as Made.com, Joules, and Wilko have led to larger groups stepping in. This could be a portent of more to come.



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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