



# Global Conference, Paris

>Partnering for client success

❖ QUALITY TAX ADVICE, GLOBALLY

27 – 29 April 2011

## Keynote II: M&A Trends & Market Moves Across Europe – Accuracy

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**Germany** - Stefan Herrmann

**Netherlands** - Surita Reynolds

**Italy** - Alessandro Reitelli

**Spain** - Eduard Saura, Managing Partner

**France** - Arnaud Lambert



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## Keynote II: M&A Trends & Market Moves Across Europe - Accuracy Germany

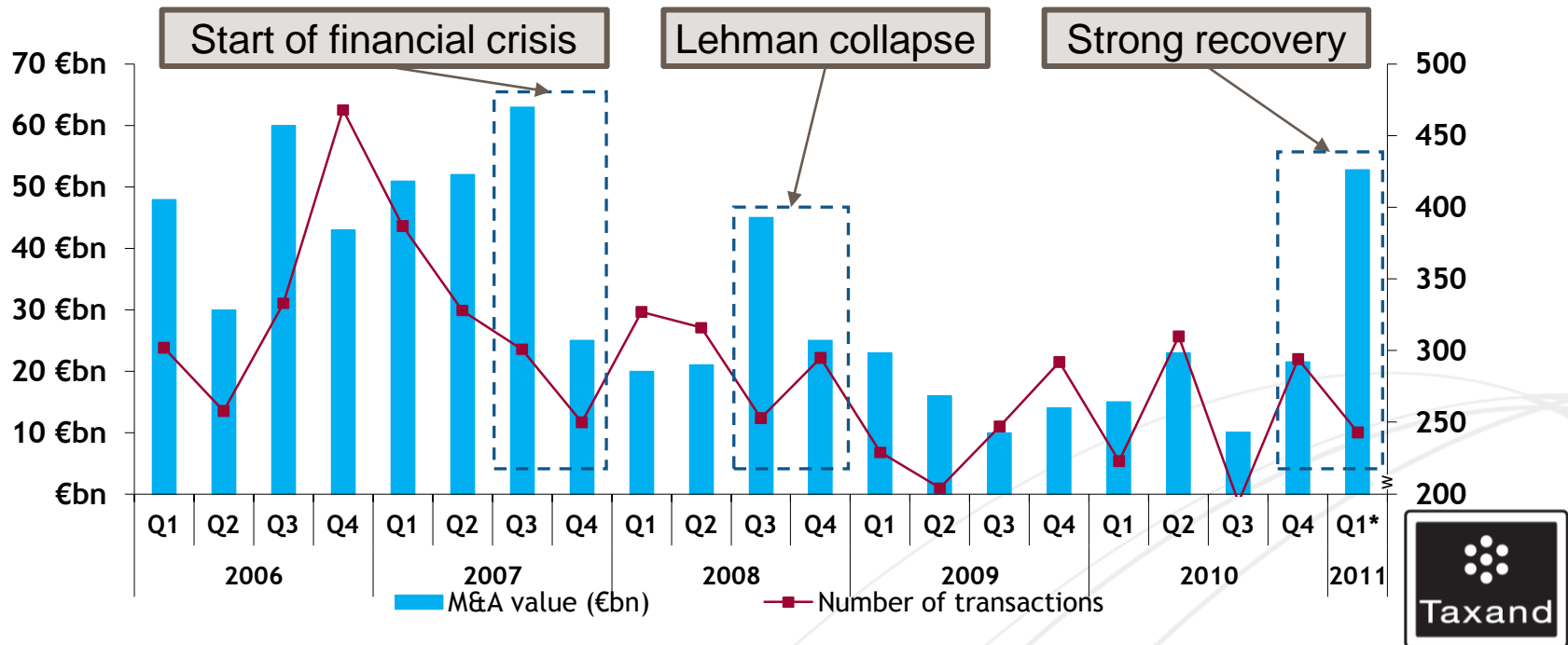
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Stefan Herrmann, Director Munich

# Accuracy - Germany

## ❖ Economy and M&A market in Germany

- ❖ GDP: '09 -5%, '10 +3.6%, '11F +2.8% (IFO)
- ❖ Growth driven mainly by export and fiscal stimulus
- ❖ M&A in Q1 '11 seems to be back to pre-crisis level



Sources: M&A Database-HSG, Thomson Reuters, Bureau van Dijk  
Note: (\*) Value by 25.03.2011



## ❖ Trends for Corporates

- ❖ Strategic investors accumulated cash, but few very good targets, increasing competition from PEs and prevailing uncertainty
- ❖ “Mittelstand” bears high potential (active and passive), but not everyone wants to grow

## ❖ Trends for PEs

- ❖ Financing: size of tickets increasing, however, still restricted access to financing
- ❖ High pressure to invest: more competitive auctions and rising multiples



## ❖ Accuracy's view

- ❖ Activity is increasing, but will all the deals really be closed?
- ❖ Cross border transactions into emerging markets growing, but acquisitions not always first choice
- ❖ PPP still below expectations
- ❖ Thorough due diligence and strong SPA mechanisms are key to prevent post-deal litigation
- ❖ Lack of transparency on deal rationale (e.g. Tognum, ACS / Hochtief) expected to drive regulation



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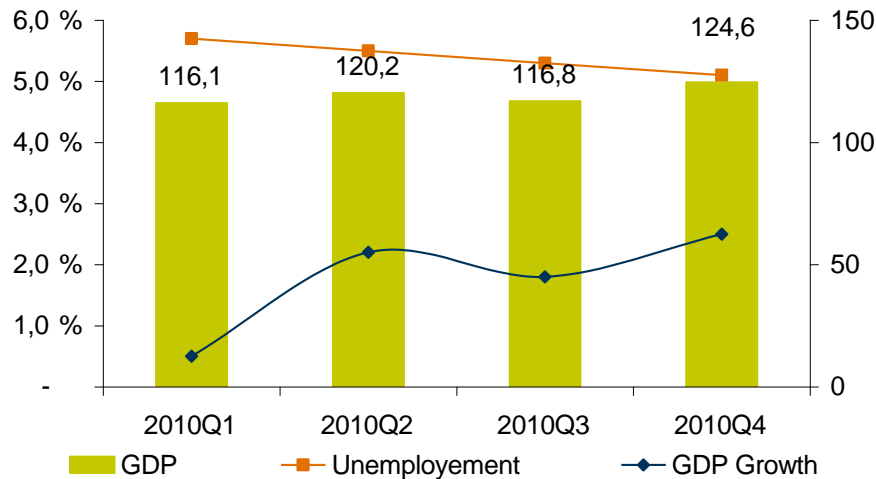
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## Keynote II: M&A Trends & Market Moves Across Europe - Accuracy Netherlands

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Surita Reynolds, Director Amsterdam

# Dutch Economic Moves & The M&A Market



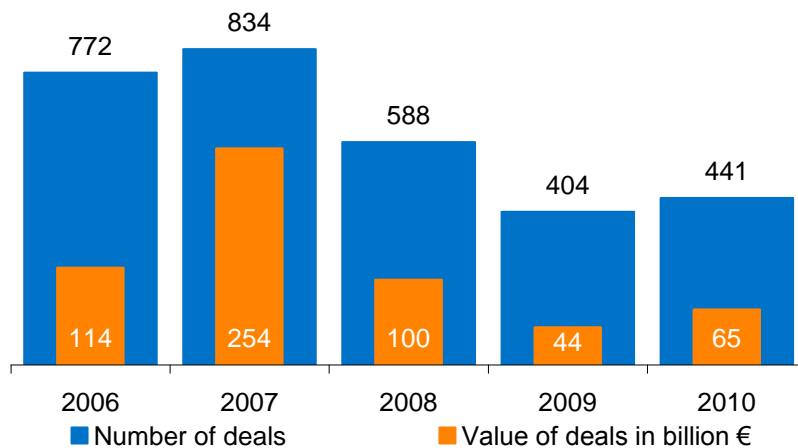
- ❁ GDP 2010 ↑ 1.8% -> € 478 billion in 2010: still not on the level of 2008

- ❁ Unemployment remained stable, showing increase in Q1 2010 followed by a decrease

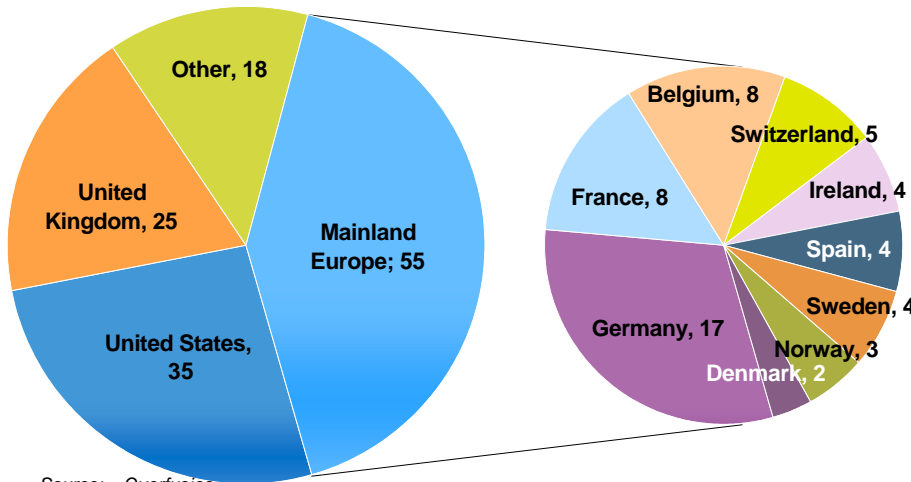
- ❁ GDP growth is export driven, internal economy still slowing down

- ❁ The financial and economic crisis as of Q3 2008 heavily impacted M&A activity small recovery shown

- ❁ Average deal size ↑ from €108 million in 2009 to € 147 million in 2010



# Dutch Cross Border Activity & M&A Trends



Source: Overfusies

## Activity in 2011 by sector

|            |  |
|------------|--|
| Pharma     | Colgate-Palmolive buys Sanex from Unilever<br>Johnson & Johnson buys Crucell |
| TMT        | Talpa and Sanoma buy SBS Netherlands   |
| Industrial | Prysmian buys Draka  |

- ❖ Cross border activity 42 % of M&A activity in the Dutch market 2010
- ❖ Biggest players: Mainland Europe, UK, USA -> Increased activity French corporates -> BRICS do not show much activity in Dutch M&A
- ❖ 2009 difficult not problematic -> 2010 actual impact of 2009 realised -> Slight recovery Q3/4 2010
- ❖ Trend of sale of carve out by Corporates and "forced" sale



# Accuracy's Analysis

## ❖ Accuracy's view

- ❖ Significant M&A opportunities in financial services and real estate sector, but low interest due to 'unknown' risks
- ❖ Preferred targets are carve-outs of large (listed) companies – more opportunities due to focus of large companies on core business (e.g. Ordina)
- ❖ Preferred sector are industrial and consumer goods sector, however, many competitors (both corporate and PE) expected
- ❖ PE's 'forced' to exit (as they has already postponed exits in 2009) will provide new opportunities
- ❖ Patience in deal environment brings less issues and lower price, however, pressure of investors or shareholders to be dealt with
- ❖ Maintain focus on purchase price mechanisms and potential earn-outs to ensure limitations of risk





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Alessandro Reitelli, Managing Partner , Milan

## ❖ Italian economy

- ❖ IMF: GDP 2010 +1,3%, 2011F +1,1%
- ❖ 90% of GDP made by SMEs < 10 employees
- ❖ 6,5m registered companies
- ❖ Issues: geography, infrastructures, tax burden, HR, gearing, governance, grey market

## ❖ M&A market (source: Mergermarket)

- ❖ FY11Q1: 8,4bn (LVMH- Bulgari 3,9, First Reserve PE-Ansaldo Energia 1,1, Lactalis-Parmalat (15%) 0,7, Investindustrial + Palladio PE-SNIA 0,5)
- ❖ Average multiple: 10,1 x Ebitda
- ❖ No mezzanine, 7-year senior bullet 4-500bps



## ❖ Trends for PEs

- ❖ 2011/2012: years for equity M&A and/or capital increase to strengthen portfolio companies
- ❖ Differentiation through specialisation/ability to support international development
- ❖ Repricing of prior LBO's financing

## ❖ Trends for Corporates

- ❖ Opportunities for defensive/offensive M&A
- ❖ Focus on targets which could represent a saving/accelerator in R&D
- ❖ FII (“sovereign fund”) + regional + turnaround



## ❖ Accuracy's view

- ❖ 300.000 companies will face generational issues in the next 10 years
- ❖ M&A potential: consumer goods, leisure, mech. equip., packaging, utilities (privatisation), renewables (Italy is n°3 in Europe with 5.000 Mw)
- ❖ Distressed opportunities: construction, leisure, textile, shoes, home furnishing
- ❖ Requirements: selective targeting, collaborative approach, industrial partnership, generational issue (earn-out formula), knowledge of the business environment, patience...





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## Keynote II: M&A Trends & Market Moves Across Europe - Accuracy Spain

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Eduard Saura, Managing Partner, Madrid

## ❖ Spanish economy

- ❖ IMF: GDP 2010 -0,1%, 2011F +0,8%
- ❖ 600,000 unsold residences
- ❖ Financial sector in harsh restructuring
- ❖ Public sector deficit at 5,1%.... From 9,4% in 2009!
- ❖ Good news in tourism (10% of GDP)

## ❖ M&A market (source: Mergermarket)

- ❖ Corporates mainly involved in minorities or partial deals: Smithfield – Campofrio (50%), EDP - Genesa (20%), Axa PE- CLH (10%). Some exceptions: Amrest – Restauravia
- ❖ PE slow despite expectations: Clece – Permira & Mercapital, Capió Spain - CVC
- ❖ IPO & privatisation (Loterías, Talgo, Atento, Dia, Aena)



## ❖ Trends for PEs

- ❖ 2011/2012: urge to rotate portfolio
- ❖ Some difficulties to raise new funds
- ❖ Expected but difficult secondary buy-outs
- ❖ Need to find gems to be bought with little or no debt

## ❖ Trends for Corporates

- ❖ Spanish corporates looking abroad
  - ❖ Large corps have refinanced huge amounts of debt
  - ❖ Small but healthy corps look for business opportunities
  - ❖ Distressed corps look for foreign buyers
- ❖ Bankruptcies push market concentration
  - ❖ Led by sound corporates, foreign players and PE



## ❖ Accuracy's view

- ❖ Some M&A potential in niche, build-ups (synergies), internationalised corps or resilient sectors. Some regions better than others: Basque country, Madrid, Catalunya
- ❖ Review Spanish PE portfolio for opportunities
- ❖ Distressed opportunities: construction-related, automotive, tourism, textile
- ❖ Requirements: selective targeting, collaborative approach, industrial partnership, generational issue (earn-out formula), knowledge of the business environment, patience...





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## Keynote II: M&A Trends & Market Moves Across Europe - Accuracy France

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Arnaud Lambert, Partner Paris

# On Track For A Sustained Economic Recovery

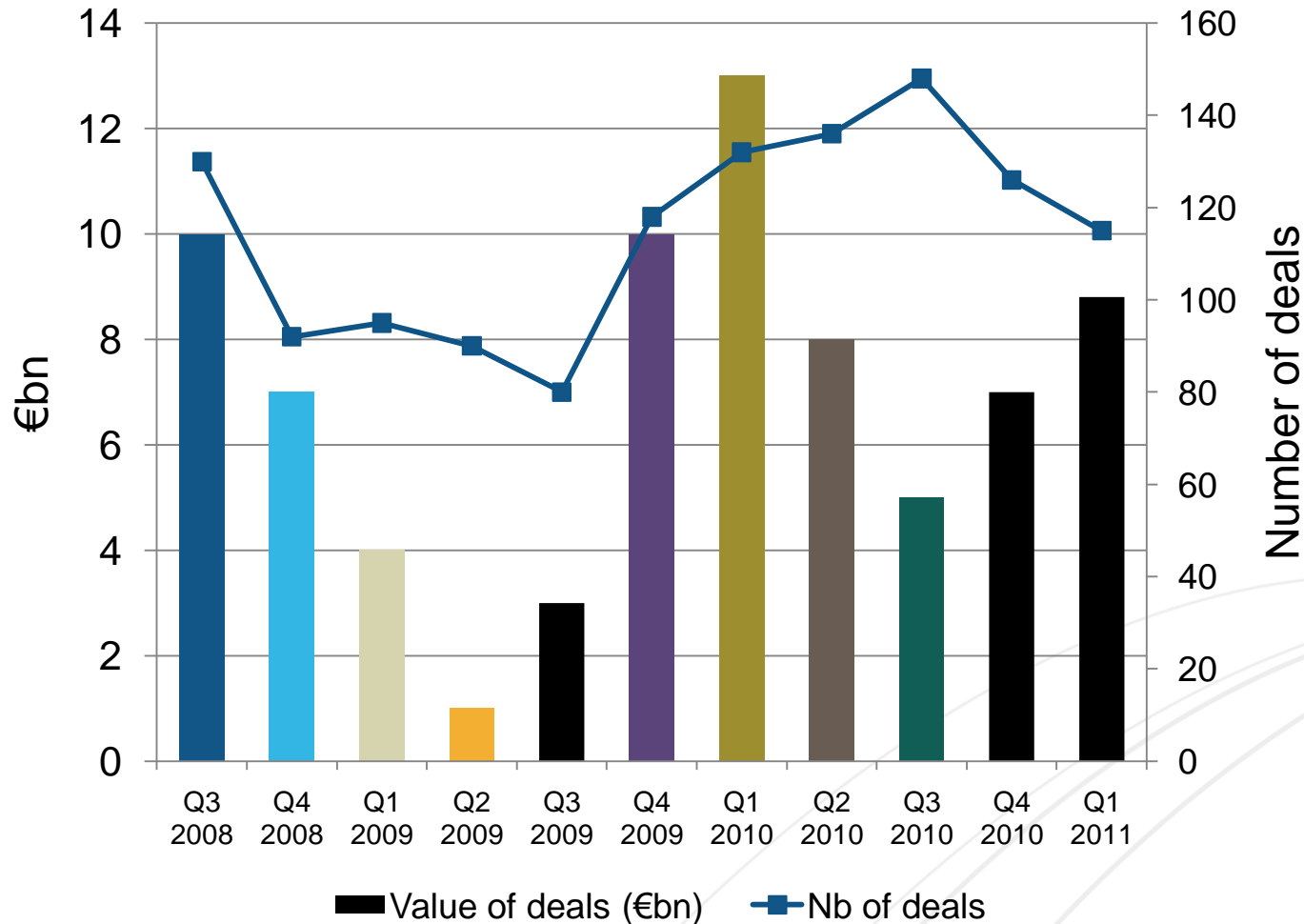
## ❖ French economy:

- ❖ GDP growth: 2010 1,6%, 2011F 1,6% (IMF)
- ❖ Unemployment rate 2010: 9,5%
- ❖ Population 2010: 65,3m and growth 0,5%
- ❖ Aging: 16,8% more than 65 years old
- ❖ Public debt: 83,5% of GDP 2010
- ❖ Public administration spending: 52,7% of GDP 2008

# A Rally In Deal activity (542 deals worth €36.4bn)

2010 saw a 40.1% deal count increase from 2009, and an impressive 97.6% rise in deal value

Source: Mergermarket, Announced transactions over \$5m  
Note: Based on the dominant geography of the target being France



# Mid Market Engine

- ❖ A few exceptional mega deals in 2010 (Gdf Suez Energy Intl / International Power, Genzyme / Sanofi Aventis)...
- ❖ ...and a mid market engine (€14.3bn i.e. 39% of total market)
- ❖ Debt financing easing, stagnant IPO market, and valuation pushed upwards by Private Equity

*Source: Mergermarket*



# Private Equity Take Off

- ❖ A solid PE activity in 2010:
  - ❖ €6.6bn in value versus €4.1bn in 2009 (+61%)
  - ❖ 1 685 deals versus 1 469 in 2009 (+15%)
- ❖ On a macro perspective:
  - ❖ Investments of €6.6bn were higher than fund raised of €5.0bn, meaning a decrease of investing power
  - ❖ Financial services contribution to raised funds has decreased by 82% due to restrictive regulation (Solvency II and Basel III)

Source: AFIC

Note: AFIC methodology and scope of deals differ from Mergermarket ones



- ❖ Domestic growth will be impacted by austerity programs (to reduce debt), so M&A activity will be supported by areas with intrinsic growth potential
- ❖ Cross-border deals and private equity investment should support the market in the near future
- ❖ In France there are around 5,500 companies that have private equity funds in their capital, including 2,000 through LBOs. That means that roughly 200-300 companies will be sold in the next five or six years. A trend that will maintain an increase in M&A activity



# Conclusion: Accuracy's View

- ❖ Selective targeting : Energy, Telecoms & Medias, and Health Services most attractive
- ❖ Local PE funds (Astorg, Rothschild, Atria, Activa) have significant portfolios that represent investment opportunities
- ❖ Knowledge of French business environment : local debt market, restructuring environment, local lawyers
- ❖ Be ready for long processes : regular review of current trading, return of earn out clauses





# Figures for decision

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Transaction Support & Advisory

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Forensics, Litigation & Arbitration

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Valuation & Fairness Opinion

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Corporate Recovery Services

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Economics & Business Analysis



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