

The M&A market in Europe has reached an all time record in 2021

The growth experienced in the M&A, private equity and venture capital transactions in 2021, is expected to set the stage for an even better 2022.

The mergers and acquisitions (M&A) market in Europe has reached a historic record in 2021, having undergone a major growth particularly after the crisis caused by COVID-19. M&A activity in 2021 has surpassed the volume generated in 2017, and is expected to continue increasing.

In Europe, there is currently a certainty environment –both at the legal and regulatory stages– that has led buyers and investors to overcome the uncertain scenario created by the crisis, which generated a more risk-averse attitude.

Several factors have contributed to the current peak in the M&A market in Europe. Most notably, the growing investor confidence, the economic growth experienced with the return of activity, the need for companies to adapt to the new businesses environment, and, in particular, the central bank policies that bring with them the presence of high liquidity to finance acquisitions and the ease of access to debt.

In this context, the role of financial investors stands out, in particular private equity, which has been influential in the M&A market, accounting for 40% of acquisitions, and which, with the ease of access to debt, has led to the creation of an environment of highly liquid professional investors seeking opportunities to invest in accordance with the right risk-return ratio.

The large amount of liquidity available for investment, the access to debt and the possibility of disinvestment have boosted private equity and venture capital in Europe and its role as major drivers of the M&A market, leading to a transition from capital market investment to both private equity and venture capital. This has been reflected in the arrival of European funds from all segments, which has led to the restructuring and modernisation of the European production model.

Also, the M&A market has seen a growing concentration of transactions in the technology sector, which responds to the need for companies to adapt to the new environment and trends. To this end, M&A transactions have been used as a vehicle for transformation, in such a way that their strategy is aimed, in particular, at digitalisation and the ability to adapt to new realities.

Europe's own industrial structure has encouraged this boost, as there are prepared companies with growth and internationalisation potential, such as infrastructure, financial, energy, construction, food and health sector companies, among others. These economic sectors, together with technology, real estate, telecommunications and, in general, those related to the green economy are of great interest to investors and in which the most relevant deals have been closed.

The growth experienced in the M&A, private equity and venture capital transactions during this year 2021 is expected to set the stage for an even better 2022.

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