

Back in Gear: CMS European M&A Outlook 2025

European M&A activity shows signs of recovery

- Nearly two-thirds of survey respondents expect European M&A to increase over the next 12 months, either somewhat (45%) or significantly (20%), a major reversal from last year's study when only 3% forecast a significant increase.
- Deal value in H1 2024 was €439 billion compared to €334 billion in H1 2023, representing a 31% year-on-year increase.
- Deal volume in H1 2024 was 7,868 compared to 8,579 deals in H1 2023, representing an 8% drop.
- Valuation gaps between buyers and sellers (24%) were identified as the single biggest obstacle to European dealmaking in the next 12 months, followed by inflation and interest rates (18%).
- Respondents are split about the UK & Ireland's M&A prospects for the year ahead, with 32%, the largest share, placing it in the top spot for anticipated M&A growth, but 31% saying it will see lowest growth.
- 55% expect to see increased appetite among Middle Eastern buyers for European assets.
- Nearly all respondents (90%) describe a target company's diversity factor as an important consideration, including 29% who say it is crucial.

(Thursday 12 September 2024): According to global law firm CMS' 2025 European M&A Outlook, nearly two-thirds of dealmakers expect the level of European M&A activity to increase in the next 12 months, including 20% who say it will rise significantly. The Outlook was published today in association with financial data firm [Mergermarket](#). This stands in stark contrast to last year's predictions when only 3% forecast a significant increase.

After a challenging couple of years for European M&A activity, H1 2024 demonstrated signs of recovery. Aggregate M&A deal values in the region totalled EUR 439bn, up 31% compared to the first six months of 2023, according to Mergermarket figures. However, transaction volumes were down over the same period, falling by 8% compared to H1 2023's 8,579 deal announcements.

Louise Wallace, Global Head of the CMS Corporate/M&A Group, said: *"Having announced fewer big-ticket deals in 2023 as they awaited greater certainty around interest rates, dealmakers appear to have reverted in 2024 to more concentrated activity in larger transactions – a sign of confidence returning gradually to the market."*

DIGITALISATION AND OTHER DRIVERS

Almost a fifth of respondents (17%) expect digitalisation to be the number-one driver of buy-side M&A activity in Europe over the next 12 months, but it is by no means the only major factor propelling dealmaking.

Whereas digitalisation dominated M&A strategies during the pandemic and in the couple of years immediately following the crisis, dealmakers today are quick to identify several additional key drivers of M&A, such as distressed opportunities (14%), mounting interest from overseas acquirers (also 14%). Such a plurality of motivating factors is indicative of an increasingly healthy deal market in Europe.

VALUATION GAPS

Buyer and seller price expectations have emerged more clearly as the single biggest obstacle, with 24% identifying this as the primary hurdle to dealmaking in the next 12 months.

While it is normal for valuation gaps to emerge following market corrections or shocks, this sticking point appears to be taking longer to work through than in the past, as price discovery continues to be far from straightforward. With public market indices up over the past year (MSCI World, for example, was up by more than 20% in the year to the end of June 2024), company valuations have remained high despite higher financing costs in what remains an uncertain economic environment.

MIXED FEELINGS ON UK & IRELAND

Respondents are split about the UK & Ireland's M&A prospects for the year ahead. In terms of anticipated growth, the region comes out on top by first and second choice votes, at 32% combined; yet it also emerges as the region that many respondents believe will see the lowest M&A growth, with 31% identifying it as their first or second choice in that regard.

MIDDLE EASTERN INTEREST

Buoyed by sustained high oil prices, Middle Eastern investors have been looking to Europe for deal opportunities. Between 2016-2021, the average aggregate value of deals led by Middle Eastern bidders targeting assets in Western Europe was just under USD 6bn annually, according to Mergermarket data. In H1 2024 alone, Middle Eastern acquirers announced deals in Western Europe totalling almost USD 23.3bn.

This trend has not escaped our respondents' notice – 42% say they have seen more Middle Eastern buyers in Europe's M&A markets over the past year.

DIVERSITY MATTERS

Nearly all respondents (90%) describe a target company's diversity factor as an important consideration. However, there are regional differences. Respondents in the Nordic and DACH regions place a high emphasis on diversity, with 48% saying diversity is a crucially important factor. Meanwhile, only 13% of SEE and 9% of CEE dealmakers surveyed share this view.

OUTLOOK

After a period of reflection in 2023, as European dealmakers absorbed the shocks of rapidly rising inflation and elevated interest rates, the signs for 2024 so far are that M&A activity across the region is shifting back into a higher gear.

Dr Malte Bruhns, Global Head of the CMS Corporate/M&A Group, added: *“While interest rates remain high relative to expectations, there is a consensus that inflation is now mostly under control and that systemically important central banks in Europe will opt for at least one or two more rate cuts before 2024 closes. Should this happen, one of the major impediments to M&A that has prevailed longer than many had expected – namely, buyer and seller valuation gaps – may begin to abate. Even absent significant cuts, the sense that interest rates have peaked provides more certainty to dealmakers when underwriting transactions.”*

Read the full **CMS European M&A Outlook 2025** here: <https://cms.law/en/int/publication/cms-european-m-a-outlook-2025>

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Methodology

In Q2 2024, Mergermarket surveyed senior executives from 240 corporates and 90 PE firms based in Europe, in the Americas and in Asia-Pacific about their expectations for the European M&A market in the year ahead. Among the 330 executives interviewed, 70% are headquartered in Europe, while the remaining 30% are split equally between the Americas and Asia-Pacific. 92% of all respondents have been involved in an M&A transaction over the past two years and 95% plan to undertake an M&A transaction in the coming year.

All responses are anonymous, and results are presented in aggregate.

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