VLERICK BUSINESS SCHOOL

# 2022 M&A MONITOR

## SHEDDING LIGHT ON M&A IN BELGIUM

Created by the Centre for Mergers, Acquisitions and Buyouts

Bank · Banque Van Breda | BDO | Van Olmen & Wynant | SOWALFIN TRANSMISSION

## ACKNOWLEDGMENTS

This report was prepared by Mathieu Luypaert, Professor of Corporate Finance and M&A at Vlerick Business School, and Gianni Spolverato, Doctoral Researcher at Vlerick Business School.

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# ABOUT THE CENTRE FOR MERGERS, ACQUISITIONS AND BUYOUTS

Vlerick Business School's Centre for Mergers, Acquisitions and Buyouts develops and disseminates knowledge concerning best practices in the entire M&A field – from deal origination to completion, from financing to integration. The Centre reaches out to key decision-makers and influencers in an M&A process as well as to professional advisors and intermediaries. Its activities are supported by Bank Van Breda, BDO, Van Olmen & Wynant, and SOWALFIN Transmission.

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**BDO** is an internationally operational consultancy company with a solid reputation as a provider of financial services (Audit, Corporate Finance, Accounting & Reporting, Tax & Legal) and other specialised consultancy services including Strategy & Transformation, People, Flexible Resources, Digital and Risk. The consultancy assists a wide range of clients, from large international companies and family SMEs to private individuals. The BDO approach is honest, hands-on and pragmatic, geared towards results and with the right focus on client requirements. Companies always have a single direct contact, and a BDO office is nearby, wherever you are. BDO currently counts 850 Partners and employees working from 10 offices in Belgium. BDO is part of a strong international network, partnering with a team of more than 91,000 people in 167 countries.

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**Van Olmen & Wynant** is a Belgian independent boutique law firm specialising exclusively in corporate law and employment law. The corporate department is led by Luc Wynant and Koen Hoornaert and focuses on M&A, corporate law (including complex issues such as equity structure, public and private offering of equity and debt securities, stock options and matters regarding corporate governance, restructuring and liquidation), private equity and venture capital, corporate counselling on day-to-day matters, and corporate litigation. Van Olmen & Wynant represents and assists companies at every stage of their development – from entrepreneurial start-ups and family businesses, to medium and large companies, as well as funds focused on various sectors, such as life sciences, fintech, telecom, etc.

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**SOWALFIN Transmission** is the Walloon government company dedicated to facilitating the transfers and acquisitions of SMEs. It provides information and raises awareness about the sale and acquisition of businesses among potential sellers and buyers. Furthermore, it facilitates contacts between both parties in the most confidential manner, through the management of various matching platforms, combined with cross-border partnerships and initiatives. In collaboration with a wide network of private advisors (certified by their independent Ethics Committee), SOWALFIN Transmission guarantees that all buyers and sellers receive the required support, while maintaining the highest standards in terms of quality, neutrality, and independence.

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# PREFACE

## Back from never really gone...

What an amazing year! Global M&A activity marked an **all-time high of close to $6 trillion in 2021**, largely exceeding previous peaks of 2007 and 2015, and recovering strongly from a brief 'lockdown drop' in the first half of 2020 (Refinitiv). Economic growth, restored CEO confidence, booming capital markets, and low-interest rates have constituted fertile ground for industry consolidation through strategic acquisitions. At the same time, private equity firms have been eagerly putting an abundance of cash to work.

While the post-COVID-19 recovery has been unbalanced across sectors, the trend towards further **digitisation** has triggered M&A transactions across virtually all industries. In addition, **a quest for scale and market leadership** has resulted in the clustering of mega deals in specific sectors – like tech, streaming, and gaming – increasingly worrying antitrust authorities. Likewise, a substantial influx of capital is observed in areas like cybersecurity, e-commerce, and healthcare.

Our survey of **197 M&A experts in Belgium** confirms the surge in 2021 deal activity. Three out of four respondents observed an increase in M&A transactions, while one out of four even noticed a growth of more than 20%. The jump is most outspoken in the largest deal segment, while being more moderate for smaller transactions. The average EV/EBITDA multiple amounts to 6.7 (slightly up from 6.4 the year before), ranging from 4.5 for targets worth less than €1 million to 9.9 for deals exceeding €100 million. Deal structures have remained relatively stable, despite a slight drop in the use of earnouts and vendor loans.

Every year, we devote special attention to one particular aspect of M&A. In this current edition of the M&A Monitor, we focus on the importance and the approach towards **ESG (Environment, Social, and Governance) in M&A transactions**. While ESG is a vital aspect of business these days, our results indicate that ESG factors have been considered in only 35% of all strategic acquisitions. Private equity scores better, with 49% of all transactions, although merely 38% of the surveyed Belgian private equity investors have a formal ESG investment policy in place. Environmental impact is found to be more critical in M&A decisions compared to social and governance factors.

While the surveyed experts, on average, anticipate **stable M&A activity in Belgium in 2022**, it remains to be seen whether and how geopolitical tensions, high inflation, and elevated interest rates might disrupt the global M&A market.

These observations – and many other typical deal characteristics – are presented and discussed in detail in the remainder of this document. We wish you a pleasant and especially enlightening read!

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# METHOD

The insights presented in this document are based on the online survey responses of 197 Belgian M&A experts, collected between 7 February and 5 April 2022. This sample of M&A professionals was gathered through Vlerick's professional network and that of the sponsors of the Centre for Mergers, Acquisitions, and Buyouts, supplemented by online searches.

We first present the respondents' insights into the evolution of the Belgian M&A market. The subsequent results relate specifically to the transactions that the respondents have been involved in during 2021.

We distinguish between different size categories, ranging from deals with a transaction value of less than €1 million to deals with a transaction value greater than €100 million. Before the survey was sent out, it was tested extensively and verified by practitioners and academics.

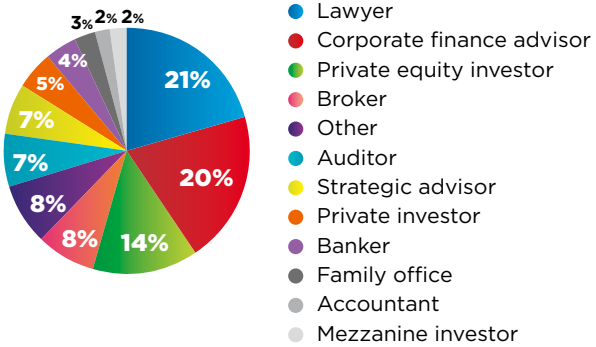
This report provides the aggregated results from our survey. In some cases, extreme outliers were removed from the sample.

# ABOUT THE RESPONDENTS

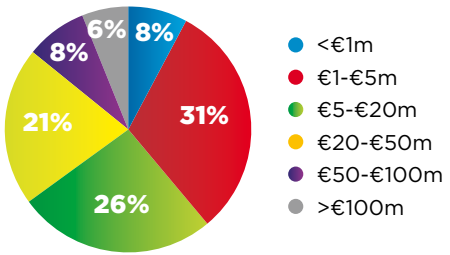
Representing a comprehensive view of the entire Belgian M&A market, the surveyed experts:

- cover a wide variety of professional roles, with lawyers (21%), Corporate finance advisors (20%), private equity investors (14%), and brokers (8%) as the most prominent groups;
- embody various deal segments: 47% of the respondents are primarily active in M&A with a total deal value between €5 - €50 million, 14% work on deals with a value greater than €50 million, and 39% work on small transactions (< €5 million);
- cover a wide range of industries, with the strongest presence in Business services (47%), Consumer goods (37%), Construction (34%), and Technology (34%);
- have an average of 14 years of professional M&A experience, with a minimum of 1 year and a maximum of 40 years of experience;
- have worked on an average of 8 deals over the 12 months preceding this survey;
- are active in the three central regions of Belgium (145 in Flanders, 115 in Wallonia, and 121 in Brussels), as well as outside Belgium's borders (81 in Europe, 32 in other regions).

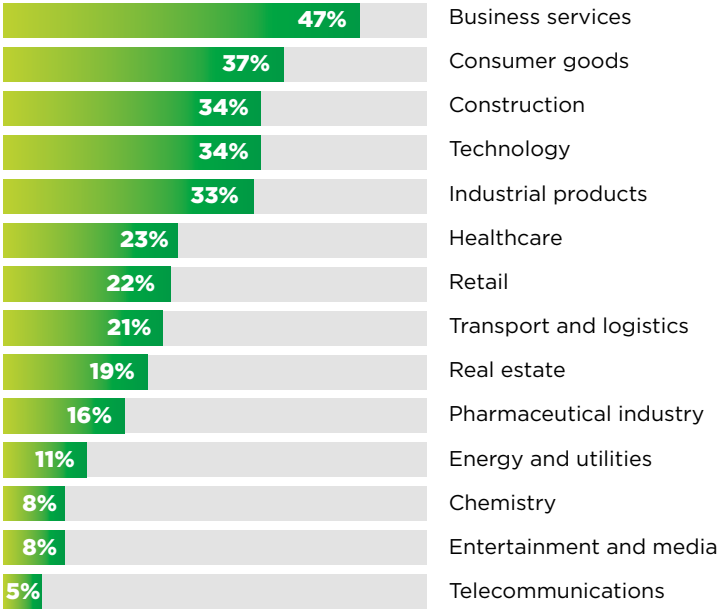
### % RESPONDENTS PER PROFESSIONAL ROLE




### PRIMARY MARKET SEGMENT OF RESPONDENTS - TRANSACTION VALUES




### % RESPONDENTS INVOLVED IN M&A IN A GIVEN SECTOR OVER THE PRECEDING YEAR



# THE EVOLUTION OF THE BELGIAN M&A MARKET

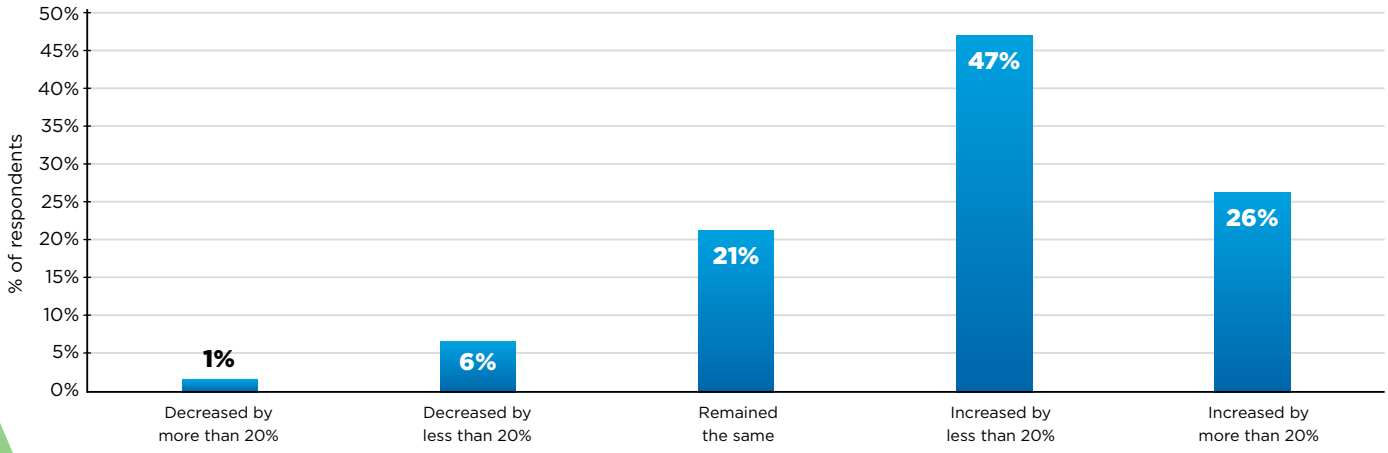
## M&A ACTIVITY REBOUNDED STRONGLY IN 2021

In last year's survey, 68% of the respondents encountered a significant decrease in M&A activity in 2020. However, after a short-lived dip in deal activity, 73% experienced a rise in deal-making in 2021, with one in four respondents even reporting a surge of more than 20%. 21% encountered no observable change, and only 7% faced a significant decline.

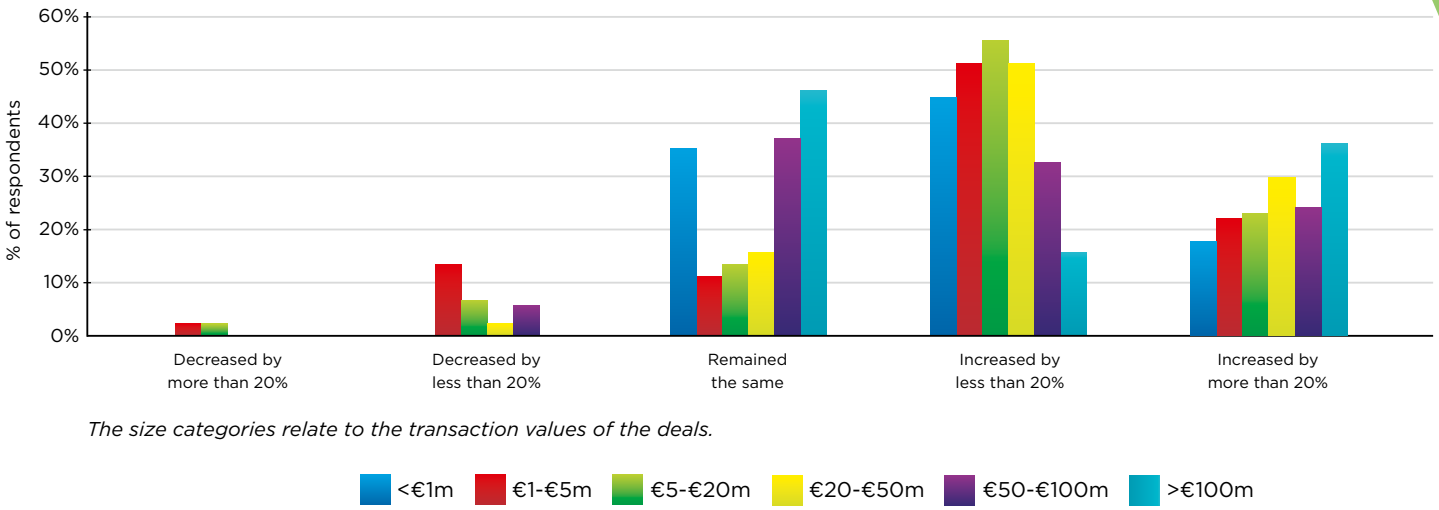
It seems that recovery was most prominent for the larger deal segments, as indicated by relatively more respondents disclosing a growth of over 20%. In the segment for deals above €100 million, 34% noticed such an increase, whereas only 18% did so for the segment of the smallest transactions (<€1 million).

Our research also reveals that the upturn in M&A activity was more pronounced for financial buyers compared to corporate (i.e., strategic) acquirers. Within both categories, about 70% report an increase. However, 42% of the respondents stated that financial buyers experienced a jump of more than 20% in deal activity, whereas only 17% noticed such an increase for corporate acquirers.

**2021 EVOLUTION OF NUMBER OF M&A TRANSACTIONS**

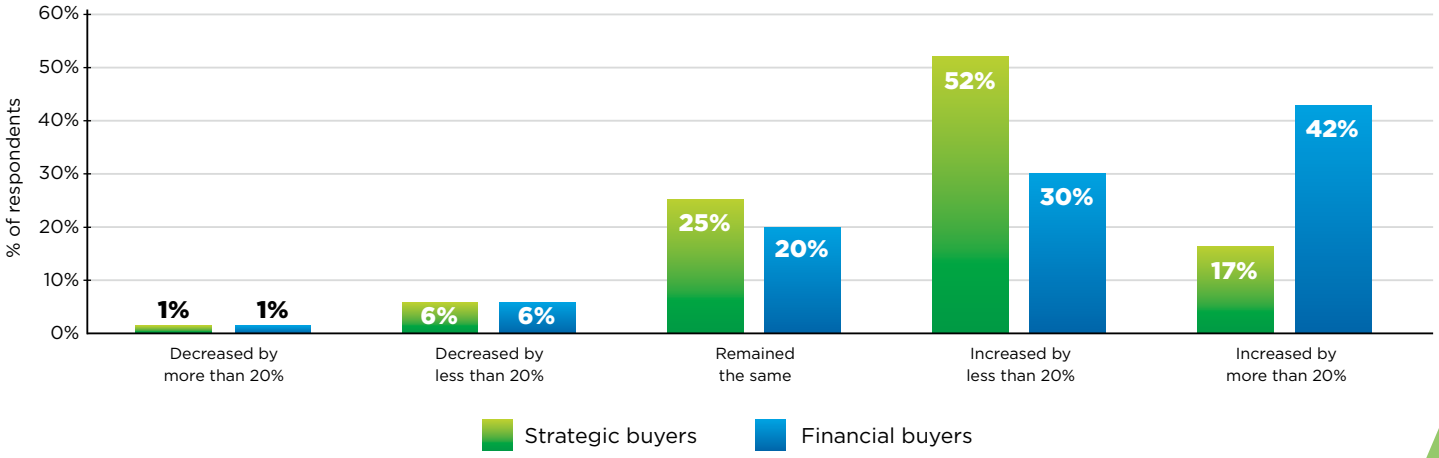


## 2021 EVOLUTION OF NUMBER OF M&A TRANSACTIONS PER SIZE CATEGORY




*The size categories relate to the transaction values of the deals.*

## 2021 EVOLUTION OF NUMBER OF M&A TRANSACTIONS PER BUYER CATEGORY



Sellers still determine the market, given the high multiples being asked, the availability of financing, and the dry powder of a substantial number of PE firms.

**Respondent A**

The most important challenge for the Belgian M&A market will be to manage external factors, like inflation, fluctuations in raw material prices, and geopolitical tensions across the globe.

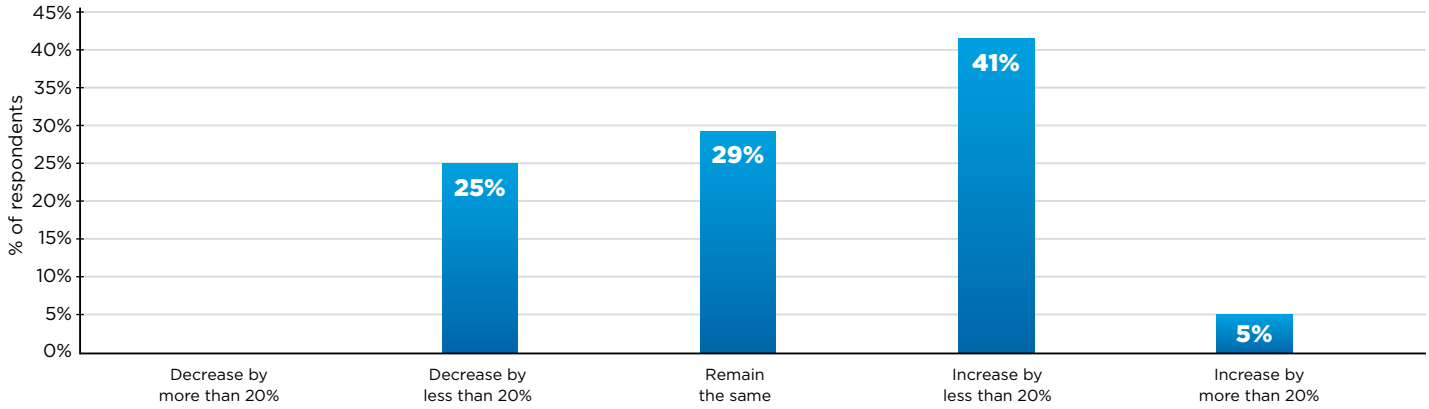
**Respondent B**

# CAN THE MOMENTUM CONTINUE?

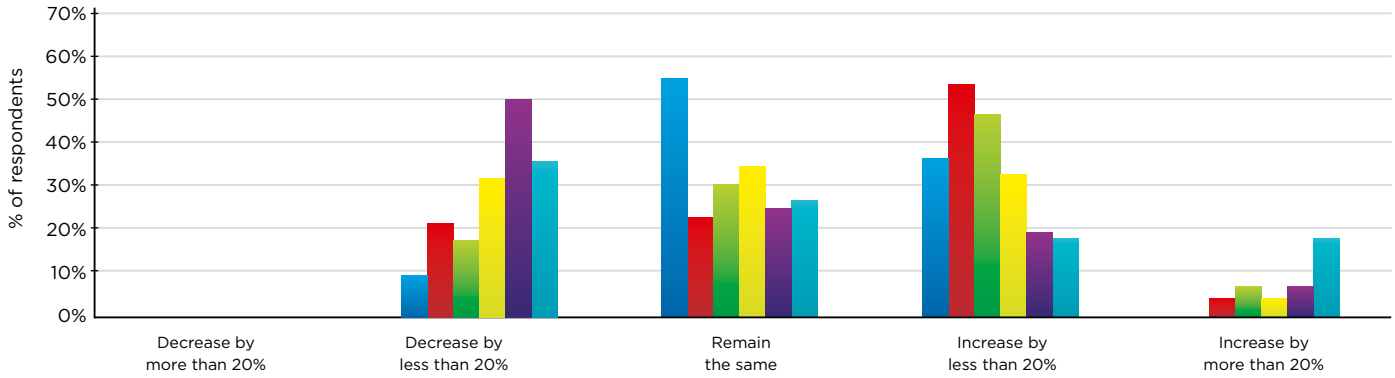
Given soaring inflation levels, steep interest rate increases, supply chain problems, and geopolitical tensions, there is no clear consensus on the future outlook of the Belgian M&A market. One in four respondents expect a decrease of less than 20%, 29% anticipate no change, and more than half of the respondents (51%) predict a significant increase.

So, the future remains uncertain and will depend on how the current global economic challenges will unfold. Yet still, there seem to be differences in expectations across the size segments. Overall, the potential impact of a global economic downturn appears to be highest for the larger segments, given that such deals are more likely to be cross-border and involve multinational firms. Half of the respondents working on deals with a transaction value between €50 and €100 million anticipate a decline of less than 20%, and only one-fourth expect an increase. Similarly, 63% of the survey respondents, mainly active in deals above €100 million, anticipate a decline or no significant change. In contrast, of the experts involved in deals between €1 and €5 million, 56% expect a continuation of the growth in M&A activity, and only 22% a contraction. Moreover, for the smallest size segment (<€1 million), only 1 out of 10 respondents predict a downward trend.

**2022 EXPECTED EVOLUTION OF NUMBER OF M&A TRANSACTIONS**



## EXPECTED EVOLUTION OF M&A TRANSACTIONS FOR 2022 PER SIZE CATEGORY




*The size categories relate to the transaction values of the deals.*



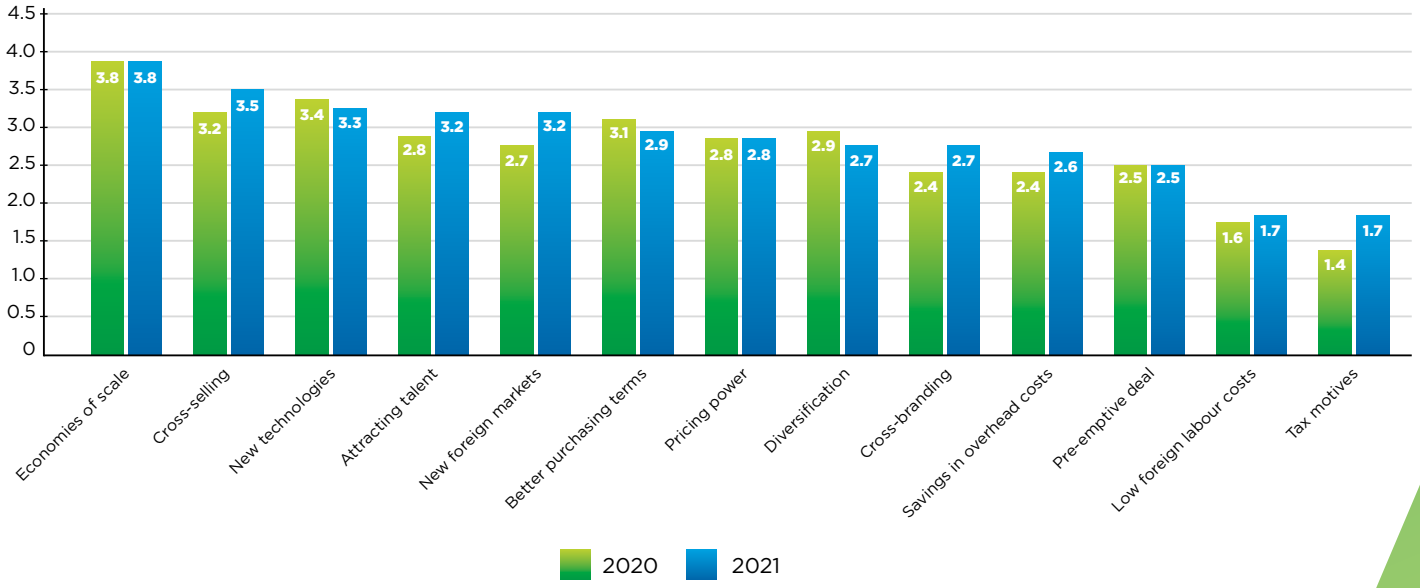
# MOTIVES

We asked the experts to assess the relevance of different strategic M&A drivers on a 5-point scale, ranging from 1 (not important) to 5 (very important).

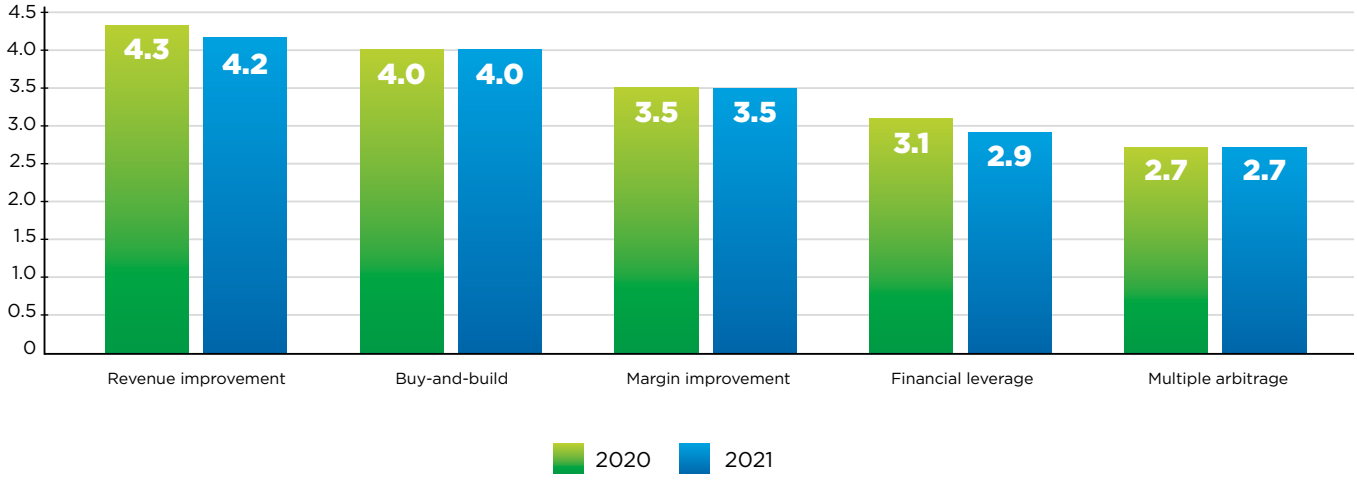
For corporates, realizing economies of scale persistently ranks as the most important reason to engage in M&A, followed by cross-selling. There are three notable changes since 2020: first, there is an overall increase in the importance of cross-selling (3.5) and attracting talent (3.2) as a motive to engage in M&A deals; in addition, as buyers and sellers could meet more easily across borders, access to new foreign markets has become a more important motive than it was in 2020.

Over the past year, no fundamental changes have been observed in financial buyers' motives. Growth is still the preferred way for private equity firms to create value, as internal revenue improvement (4.2) and external growth through M&A (4.0) constitute the top 2 motives. Margin improvement ranks third with 3.5/5. Financial leverage (2.9) and multiple-arbitrage (2.7) are deemed less critical, given the record-high multiples and easy access to debt financing.

**M&A MOTIVES STRATEGIC BUYERS**



## M&A MOTIVES FINANCIAL BUYERS



“

For investors, the big challenge is to find good opportunities at reasonable prices. An abundance of cash, high valuations in neighbouring countries, and a strong degree of auction processes has increasingly driven prices upward.

**Respondent C**

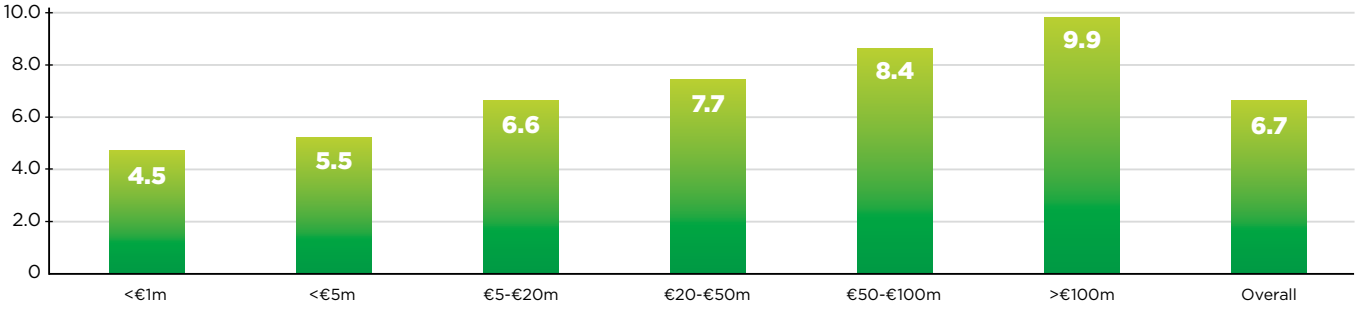
”

# VALUATION

We asked the surveyed experts to provide the average multiple of the deals they were involved in during 2021. The average EV/EBITDA multiple across all industries amounts to 6.7 in 2021 – slightly exceeding the pre-pandemic level of 6.5, and matching the 2017 record. Compared to the start of our measurements in 2013, the average firm currently sells at 1.7 times EBITDA more.

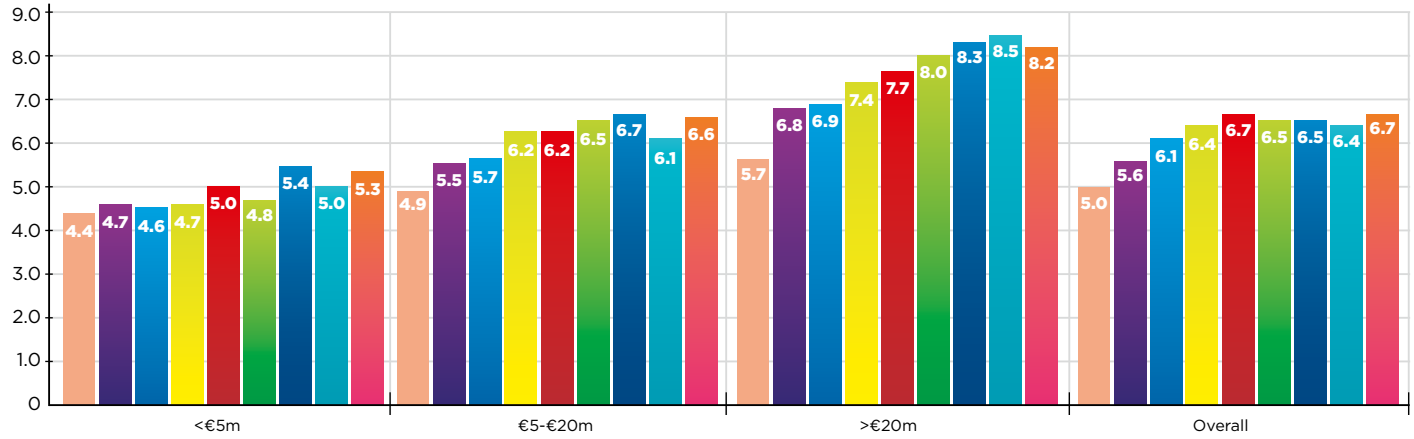
The average multiple ranges from 4.5 for the smallest deal segment (<€1 million) to 9.9 for the largest deal segment (>€100 million). The surge in deal values over the past years is positively correlated to the size of the transactions, being most modest for the smallest deal segment.

### AVERAGE ENTERPRISE VALUE (EV)/EBITDA




*The size categories relate to the transaction values of the deals.*

### MULTIPLES HISTORICAL EVOLUTION

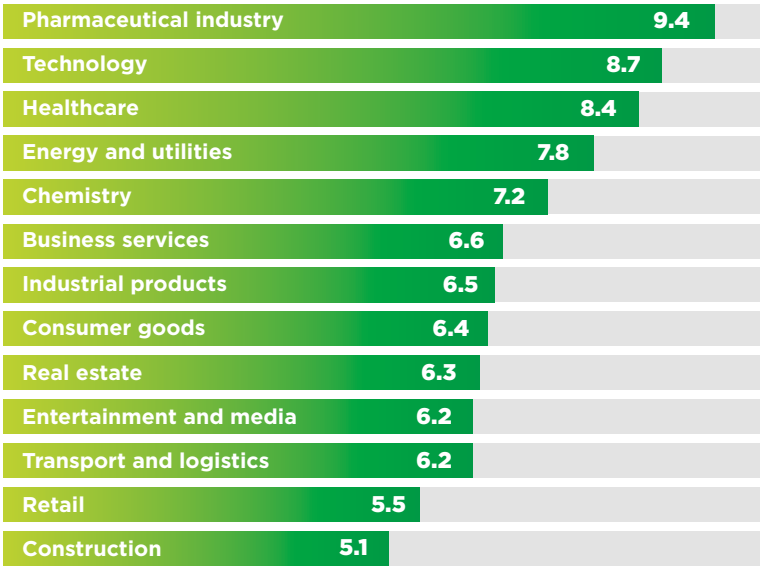



*The size categories relate to the transaction values of the deals.*

2013 2014 2015 2016 2017 2018 2019 2020 2021

Next, we invited the respondents to provide input into the multiples observed per industry. We find that pharma takes the lead with a multiple of 9.4, which is consistent with the highly valued patented know-how. Similarly, high-growth sectors – such as technology (8.7) and healthcare (8.4) – stand at the top of the graph. Energy and utilities (7.8) and chemistry (7.2) also rank above the overall average. Business services (6.6), industrial products (6.5), consumer goods (6.4), and real estate (6.3) centre around the overall average (6.7). The more cyclical or CAPEX-intensive industries – such as entertainment and media (6.2), transport and logistics (6.2), retail (5.5), and construction (5.1) – are ranked at the bottom of the list.

**MULTIPLES PER INDUSTRY**



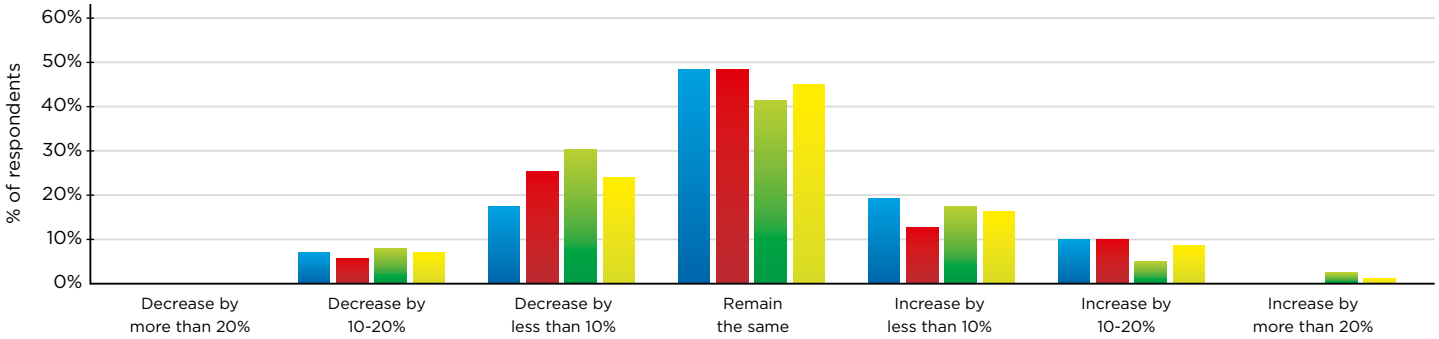
The table below also reports differences across size segments within these industries. We require a minimum set of at least 20 responses within each sector to get representative results. As a result, we presented the size-specific multiples for technology, healthcare, business services, consumer goods, transport and logistics, retail, industrial products, and construction. The relative ordering of multiples within each size category is similar to the overall averages.

| | <€5 million | €5 - €20 million | >€20 million | Overall average |
|---|---|---|---|---|
| **Technology** | 6.1 | 9.1 | 10.2 | 8.7 |
| **Healthcare** | 6.7 | 7.0 | 9.7 | 8.4 |
| **Business services** | 5.5 | 6.4 | 8.0 | 6.6 |
| **Industrial products** | 5.4 | 6.8 | 7.5 | 6.5 |
| **Consumer goods** | 5.3 | 5.9 | 7.9 | 6.4 |
| **Transport & logistics** | 5.0 | 5.4 | 7.1 | 6.2 |
| **Retail** | 4.5 | 5.6 | 7.3 | 5.5 |
| **Construction** | 4.4 | 5.0 | 6.6 | 5.1 |

*EV/EBITDA multiple per deal size category and per sector.*

Increasing interest rates, triggered by high inflation, might put downward pressure on acquisition prices. At the same time, deal competition is still fierce in a seller's market with the sheer amount of private equity money looking for a home. Therefore, we also asked M&A experts how they believe the current sentiment in financial markets will affect multiples in 2022. The results reveal that, as future M&A activity remains uncertain, so does the outlook for transaction multiples. Overall, 45% of all respondents expect no significant change, while 30% anticipate a substantial decrease in multiples. Only about one in four respondents believe that multiples can still increase further, despite the record levels at which they are now. Contrary to the expectations for the number of deals, the outlook regarding future valuation multiples seems to be uniform across size segments.

**EV/EBITDA EXPECTATIONS FOR 2022**



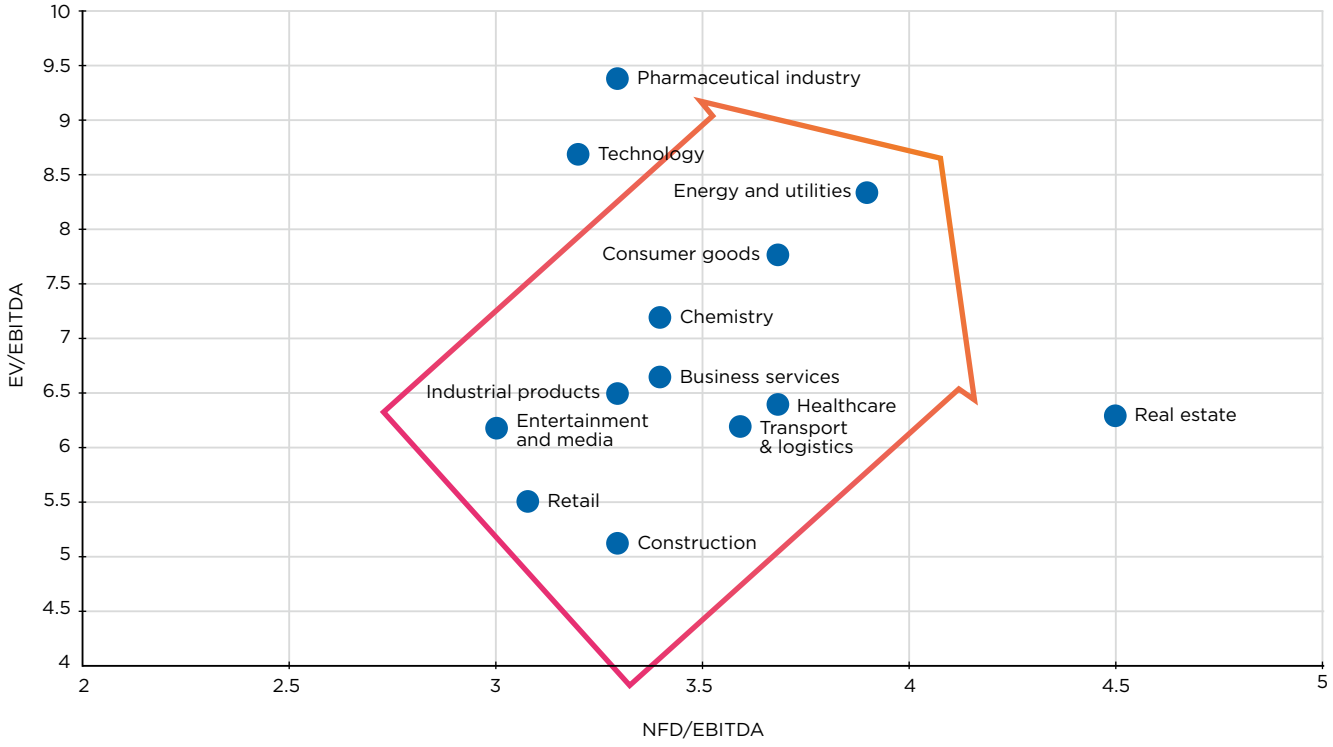

*The size categories relate to the transaction values of the deals.*

# DEAL STRUCTURING & FINANCING

This section zooms in on the sources of funds used to finance M&A transactions. We examine the typical extent of debt financing in M&A and the required (semi-) equity in MBO/MBI transactions. In addition to upfront financial needs, the deal structure might include delayed payments that are fixed (vendor loans), or depend on post-M&A performance (earnouts).

We investigated the extent of debt financing by asking respondents about the average sector ratio of net financial debt (NFD) compared to EBITDA to finance M&A transactions. For most sectors, we find a strong correlation between their valuation multiple and the ratio of NFD to EBITDA. There are two exceptions to the rule:

- First, pharma (3.3) and tech companies (3.2) fall outside the trendline – as these often involve young (bio-)tech ventures with great growth opportunities but limited cash generation.
- Second, real estate deals (4.5) are more strongly levered, reflecting the sector's conservative risk profile.

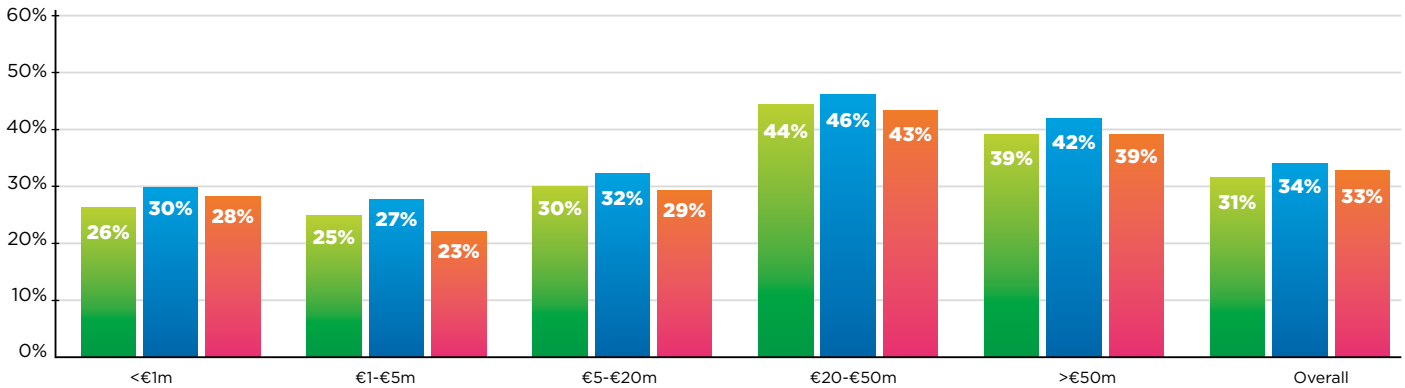


Next, we consider the equity and semi-equity contribution to the acquisition value in MBOs and MBIs. Semi-equity relates to mezzanine financing, such as preference shares and subordinated debt.

The figures reveal that debt finance remains a majority component in the financing of M&A deals. The average buyout transaction was financed by precisely one-third through (semi-)equity.

Naturally, this fraction increases as the size of the deals increases. Micro-transactions use about 28% equity financing relative to the deal value, whereas deals above €50 million are financed with 39% equity. Across the size segments, we find that, after a slightly more conservative year of debt-financing during the COVID-19 blowout, equity contributions are more or less at their 2019 level.

**% (SEMI-) EQUITY NEEDED TO FINANCE MBO/MBI**




*The size categories relate to the transaction values of the deals.*

2019 2020 2021

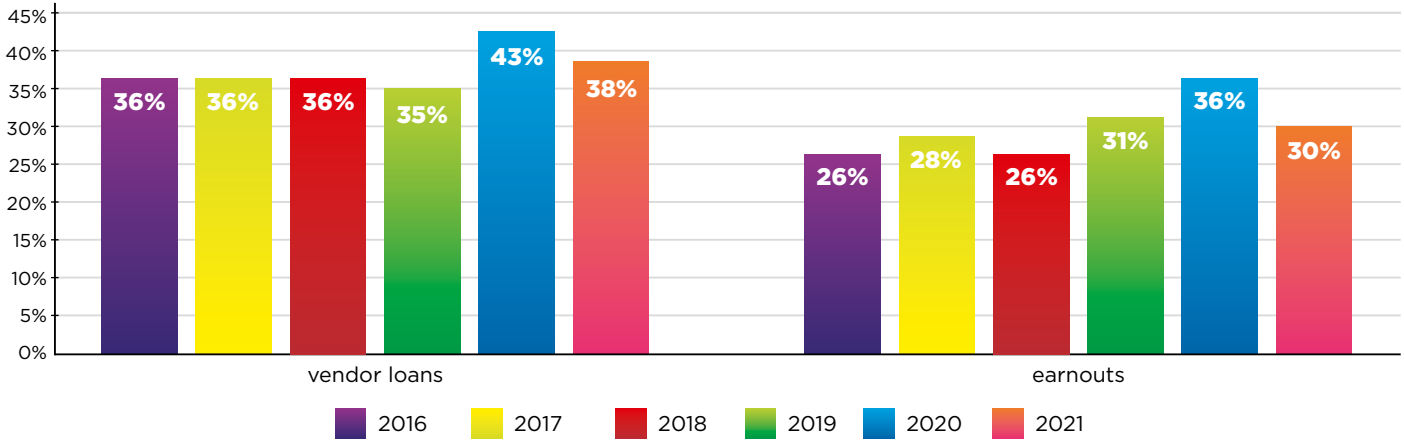
# DEFERRED PAYMENTS EVOLVING BACK TOWARDS PRE-COVID LEVELS

The 2020 M&A market was characterized by a sharp increase in the use of deferred payments, due to COVID-19-related financing difficulties and uncertainty about the target's value. However, in this year's survey, experts noticed a year-on-year decrease.

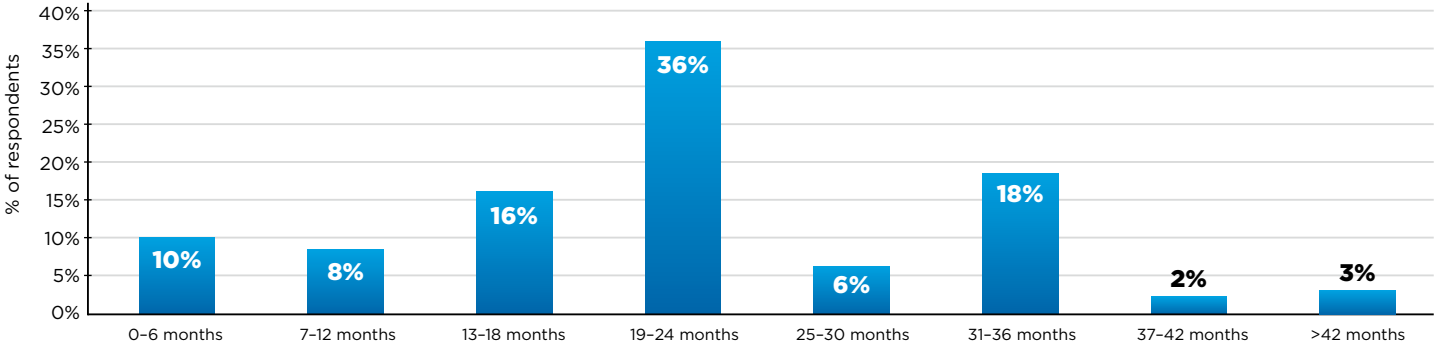
Vendor loans occurred in 38% of the transactions. Although representing a slight drop compared to 2020 (43%), the prevalence of vendor loans is still three percentage points higher than in 2019.

The average vendor loan comprised an interest rate of 4.6% and represented 18% of the transaction value. Similarly, the use of contingent payments (i.e., earnouts) decreased compared to 2020. M&A agreements included an earnout clause in 30% of the cases in 2021, compared to 36% in 2020 and 31% in 2019. In the majority of the cases (52%), such contractual agreements cover a period of 1.5 to 2 years.

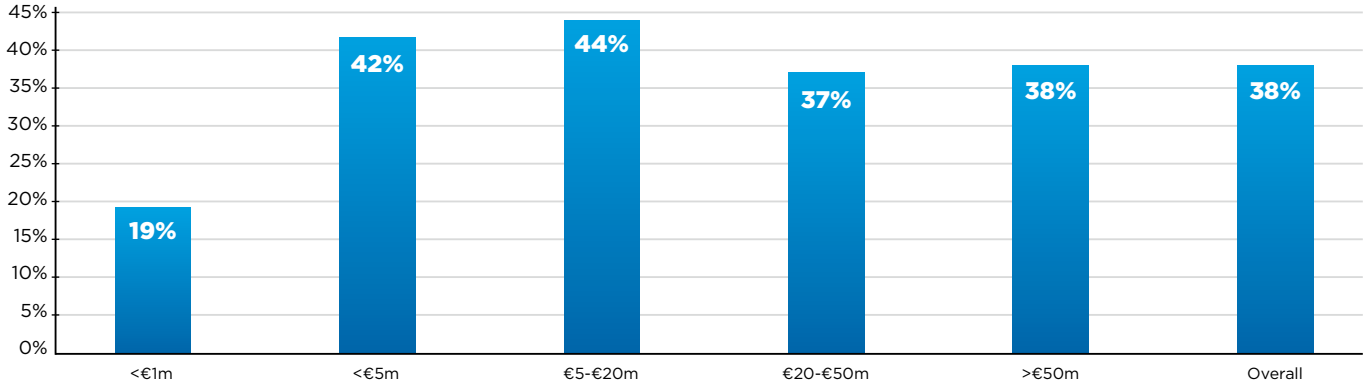
**% USE OF VENDOR LOANS AND EARNOUTS**




**EARNOUT PERIOD**

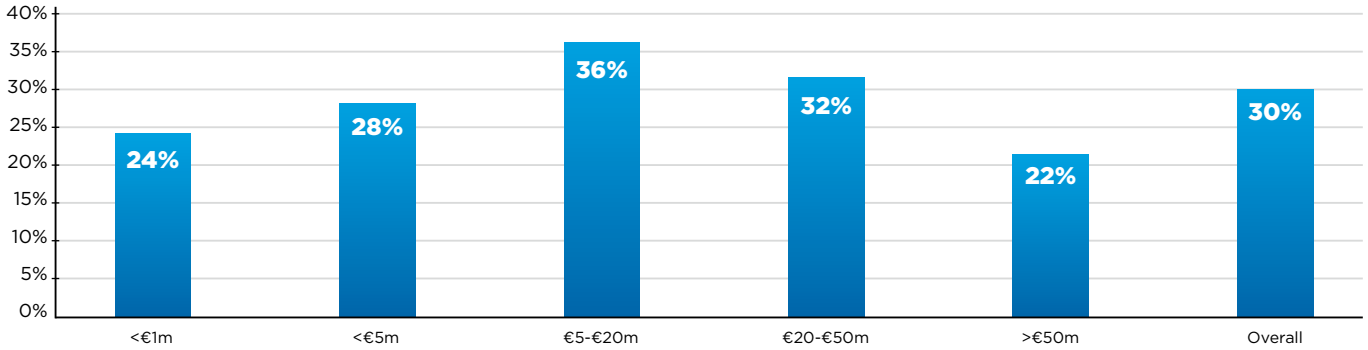


## % USE OF VENDOR LOANS PER SIZE CATEGORY




*The size categories relate to the transaction values of the deals.*

## % USE OF EARNOUTS PER SIZE CATEGORY



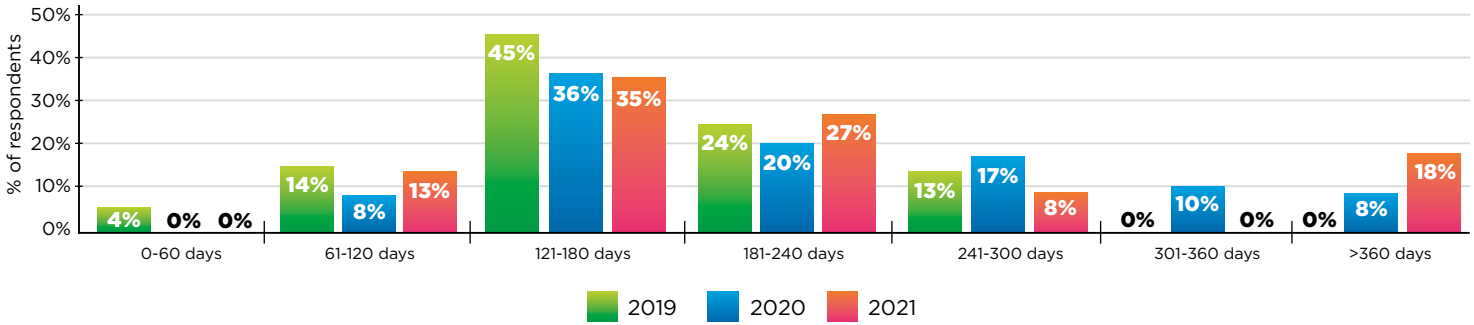

*The size categories relate to the transaction values of the deals.*

# DEAL PROCESS

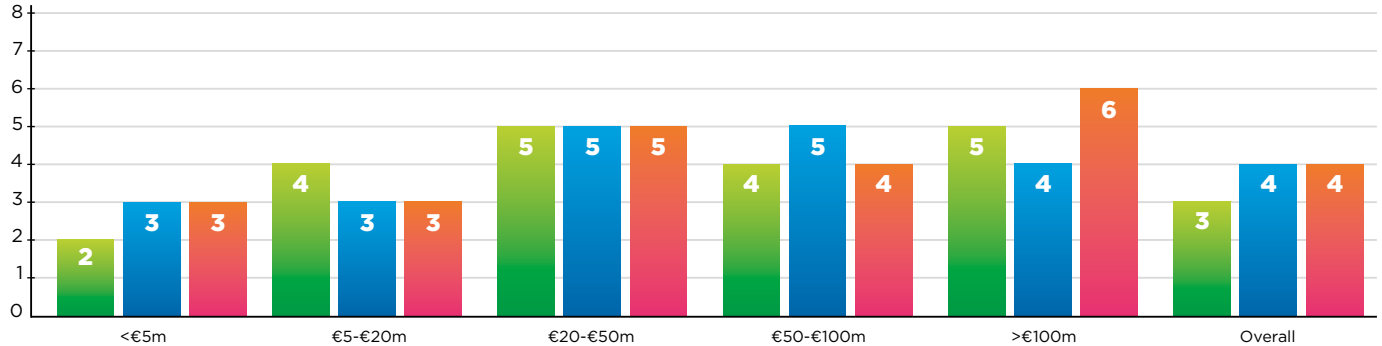
As there are still considerable disputes regarding valuations in the due diligence phase, the length of the average deal process remained relatively stable compared to 2020. Interestingly, there seemed to be more extreme cases in 2021 (18%), in which the deal process took more than a year compared to 2020 (8%). It is likely that these deals mainly involved targets put up for sale close to the start of the pandemic, so the time to the final signing of the SPA was lengthened.

Overall, there were no material changes in the average number of bidders making an indicative offer per transaction compared to 2020. Micro-transactions include an average of 3 bidders, while the largest deals in our sample receive 6 indicative offers. For the latter, this represents a significant increase compared to last year, which is in line with the fact that M&A activity mainly increased for the largest deal segment.

**DEAL LENGTH**




**NUMBER OF BIDDERS**




*The size categories relate to the transaction values of the deals.*

2019 2020 2021

Private equity firms are still searching to understand how to position ESG in their investment decisions. This will become a more decisive factor once reporting requirements are in place.

**Respondent D**

ESG is gradually becoming more important, but it's not yet a real deal-breaker or maker.

**Respondent E**

# SPOTLIGHT ON ESG

Academic research shows that sustainability is an increasingly important criterium in deal-making and is often positively associated with financial performance. More specifically, various stakeholders (e.g., regulators, financiers, and customers) are demanding increased transparency regarding a company's environmental footprint, diversity, and good governance. Therefore, this year's Monitor also includes a section on the current stance of the ESG policies of private equity firms and how they affect the various aspects of the deal process for both strategic and financial buyers.

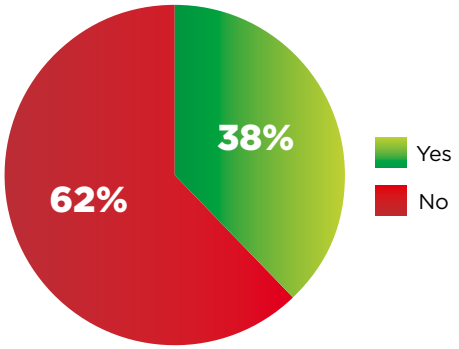
## PRIVATE EQUITY ESG POLICIES

When we asked investors (i.e., Private equity investors and Family Offices) whether they had a formal ESG policy in place, only 4 out of 10 respondents replied positively. In a related sustainable investment survey by Pitchbook (2021), 6 out of 10 global PE firms were found to have an ESG policy. Although the figure for the Belgian market seems to be significantly lower, one of the main reasons given for not having such a policy was that they deemed their organisation to be too small. We also asked those experts what type of ESG policies they had in place based on three potential typologies:

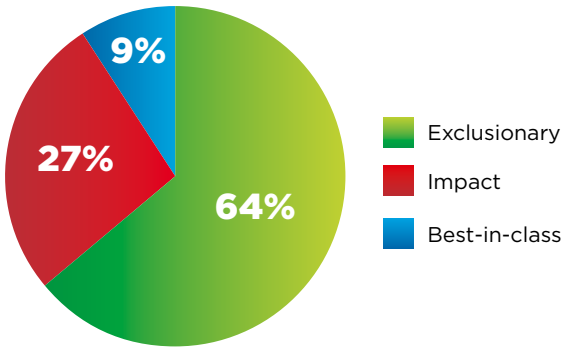
- **Exclusionary Investing**: Excluding sectors or companies that derive a significant portion of their revenue from business activities such as conventional weapons and firearms, tobacco, adult entertainment, and gambling.
- **Best-in-class Investing**: Look for companies ranked highly in their sector based on sustainability criteria. With a 'best-in-class' approach, a fund may include the leading companies in an industry relative to their peers, such as companies with lower carbon-emission ratings than their sector peers.
- **Impact Investing**: Purposely investing in companies that attempt to deliver a measurable social and/or environmental impact alongside financial returns. For instance, impact investing may focus on investing in educational projects in developing economies.

The large majority (64%) of those investors with a formal ESG policy mainly focus on excluding industries that seem harmful in terms of social and environmental topics. Only 9% of investors actively concentrate on those targets that are the most sustainable within their specific industry. Finally, 25% aim for impact investing. These investors actively seek to focus on companies that tackle global challenges (e.g., lack of education in developing countries).

**PRESENCE OF A FORMAL ESG POLICY FOR FINANCIAL INVESTORS?**




**TYPE OF FORMAL ESG POLICY**

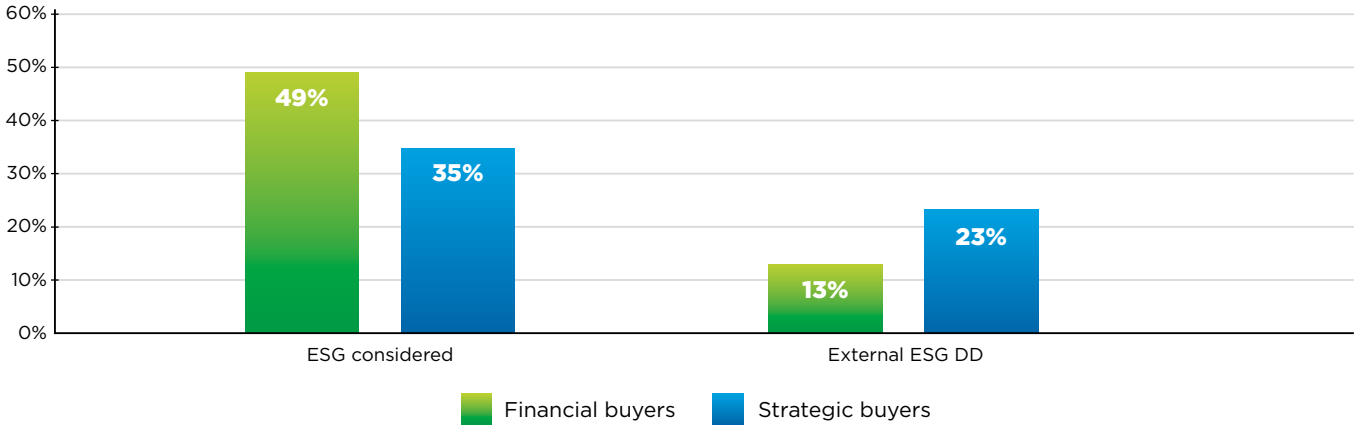



## IMPACT ON DEAL-MAKING

To better understand how often targets are pro-actively screened for ESG factors, we asked in what fraction of the transactions were ESG factors considered in the investment process. Furthermore, we also surveyed our respondents on how often they ordered an ESG due diligence through an external organisation.

Curiously, targets acquired by financial sponsors (49%) seem to be more often checked on their ESG performance than targets of strategic buyers (35%). In both cases, however, this due diligence step does not usually occur with the help of an external consultant.

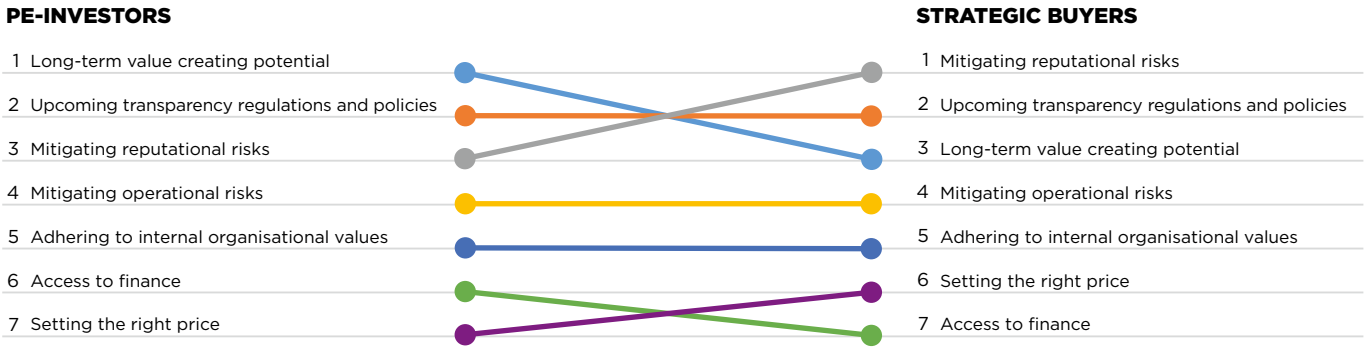
**% OF DEALS CONSIDERING ESG FACTORS AND USING EXTERNAL ESG DD**



To get a more detailed view of the drivers behind the screening of acquisition targets on ESG factors, we asked strategic and financial buyers to rate the importance of various potential drivers in executing an ESG due diligence, ranging from 1 (not important) to 5 (very important). We have ranked these motives and compared these rankings across strategic and financial buyers based on these scores.

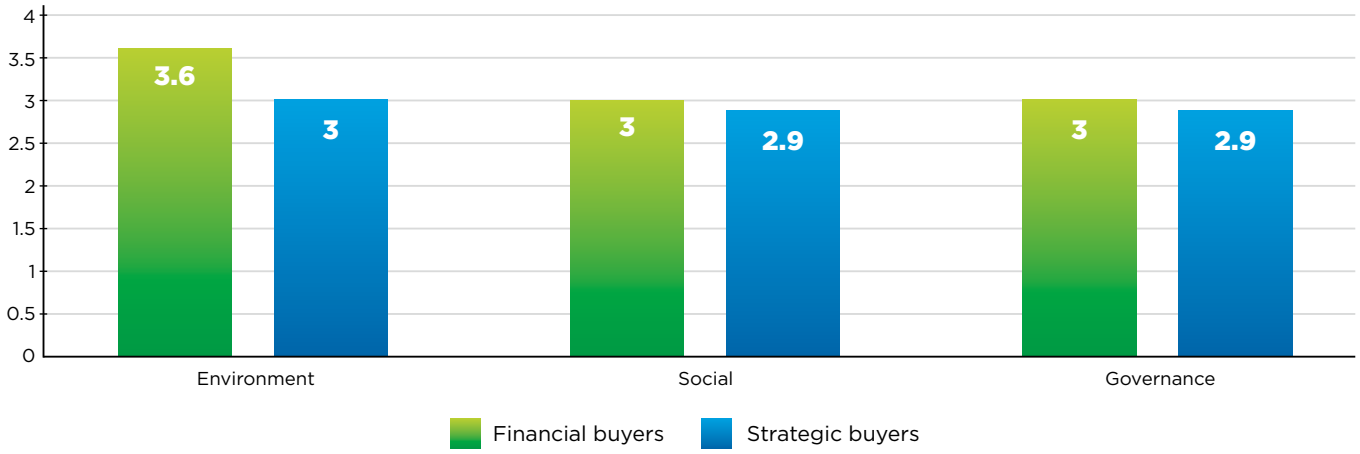
Interestingly, we find some apparent differences between the two categories of investors. The number one reason for PE investors is to ensure the target's long-term value-creating potential, followed by regulatory reasons and potential reputational risks for the PE firm. This indicates that major sustainability trends are becoming an essential source of value creation on the buyout level. In contrast, strategic buyers are mainly concerned about mitigating reputational damage, while value creation is only considered the third most important factor. Complying with upcoming transparency regulations and policies ranks second.

**DRIVERS BEHIND ESG SCREENING (RANKINGS)**



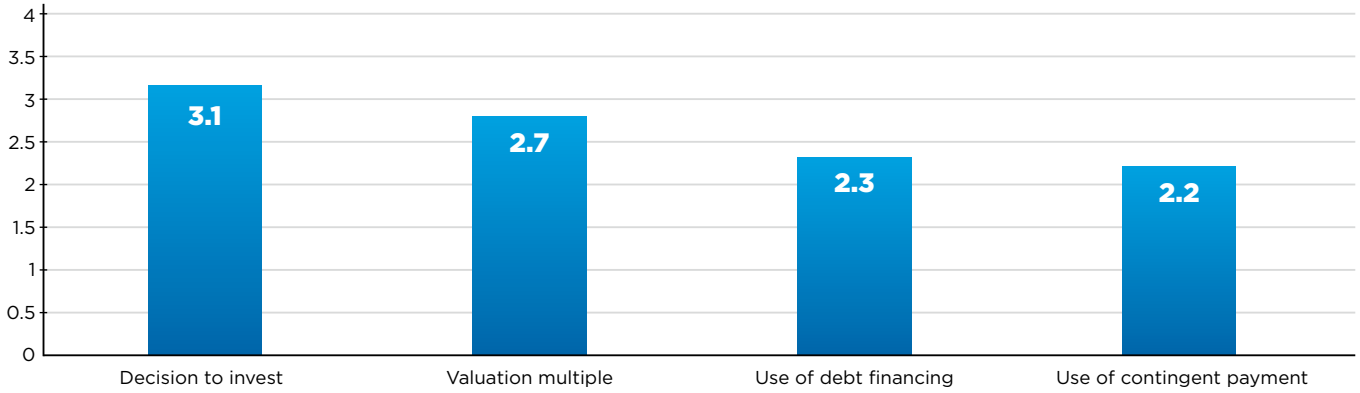

We asked the experts to assess the relevance of the three ESG factors (Environment, Social, and Governance) in making acquisition decisions on a 5-point scale, ranging from 1 (not important) to 5 (very important). Both strategic and financial buyers in Belgium do not yet place high emphasis on social and governance factors in the selection of their acquisition targets. Interestingly, however, environmental factors seem to be of higher importance for financial buyers.

**IMPORTANCE OF ESG FACTORS**




Finally, to close this section, we enquired our group of experts on the impact of ESG factors on various factors of the deal-making process. Although potential buyers attach some relevance to ESG in selecting targets, we find that ESG does not yet have a meaningful impact on target pricing or the overall deal structure (use of debt financing and contingent payment). However, as financiers progress toward being more demanding in terms of ESG reporting in order to provide funding in the future, the question remains as to whether valuations and the ability to finance deals will be more susceptible to the potential target firms' ESG performance in the near future.

**IMPACT ESG ON DEAL PROCESS**



# CONCLUDING THOUGHTS

As a niche bank for entrepreneurs – with a unique focus in the Belgian SME market – we can only reiterate our respect and admiration for the resilience and creativity that entrepreneurs showed in 2021 to get back on track with growth post-COVID-19. This created renewed confidence and a growing M&A market.

However, the war in Ukraine is testing our entrepreneurs once again. Supply lines have been disrupted or have even disappeared. Rising purchasing and energy prices are difficult to pass on quickly to customers and are nibbling at the margins. Rising interest rates are putting pressure on valuations and financing. Consumers are becoming more cautious even though further economic growth is predicted all over the world, with the exception of Russia.

Therefore, in the case of large deals, the pause button is being pressed again. Probably more firmly and longer than with COVID-19. Even though a lot of money remains in the market looking for return. For smaller deals, we see entrepreneurship prevailing over uncertainty for the time being – and there is still a lot of activity in the market. However, rising interest rates are quickly being reflected in prices and financing. Longer and larger earnouts and vendor loans will again become important deal-makers in many transactions.

In the interests of their company, more and more entrepreneurs are thinking about possibly changing their shareholder structure and are opening up their capital to shareholders who bring added value to the company's next life cycle. As a niche bank for entrepreneurs, this is something we can only continue to encourage and support.

Bank · Banque
VanBreda

**Dominic Dhaene**
**Bank Van Breda**
**M&A Expert**

In 2021, the M&A market recovered fully from the COVID-19 year. Lots of activity was noted in deals for companies that came out of COVID-19 stronger or proved to be future-proof because of the sector they operate in or the speed with which they have adapted to the new local and global market conditions. This high activity in 2021 also includes (delayed) deals from 2020, when some buyers had taken a wait-and-see attitude.

Private equity players remained very active in 2021, and more and more foreign PEs are approaching the Belgian market. With the ongoing consolidation in various sectors, PEs are looking more often at classic family businesses with strong client portfolios and growth potential. Within this group, there are still often companies that have not fully realized their growth potential due to several reasons.

Multiples increased slightly, due to growing competition in most industries – and especially for companies with stable free cash-flows, growth potential, and where the owner/management is reinvesting. It is primarily PEs that tend to be most interested in low CAPEX intensive companies. The Pharma, Healthcare and Technology sectors remain sought after and stand out for their higher multiples.

Corporates and PEs are starting to recognize the importance of ESG, but they are not yet focusing on it during the buying process. The number 1 objective for PE investors is to ensure the target's long-term value-creating potential. It is difficult to estimate what short- or long-term impact the current inflationary and geopolitical situation will have on the buyer's market – but the current situation will undoubtedly have an impact.

**Alexi Vangerven**
**BDO**
**Partner**

It is impossible to analyse the current Belgian M&A landscape without referring to the severe impact of the COVID-19 pandemic. However, despite a significant decrease in M&A transactions in some countries due to the pandemic, generally speaking, the Belgian M&A mid-market recovered relatively quickly. Deal activity has almost been restored to its pre-COVID-19 level. Of course, the long-term impact of COVID-19 on the Belgian M&A landscape remains to be seen. While the pandemic currently seems to be slowly disappearing into the background, its consequences are still very much visible and will remain tangible for the foreseeable future, as we are nearing record-breaking inflation rates.

The relatively slow pace at which ESG principles are being implemented within certain Belgian companies may be due, at least partially, to the economic uncertainties of the past several years, when a number of companies had to focus on their survival. With the current geopolitical context, the world is facing yet another crisis that is raising enormous human, economic and environmental concerns.

On the longer term, it will be extremely interesting to analyse the impact – whether negative or positive – of these successive setbacks and challenges on large-scale ESG implementation. It seems fair to assume that, for their part, the European Union and national legislators will continue to develop and intensify ESG regulations in the coming years, incentivizing companies and investors to rightfully focus a considerable amount of attention on these important and growing issues.

Van Olmen & Wynant

**Luc Wynant**
**Van Olmen & Wynant**
**Partner**

SOWALFIN (Société Wallonne de Financement) is the one-stop-shop for Walloon SMEs. We stand at the side of entrepreneurs. We inform them, we guide them and we support them in their investments.  We share the financial risks with the entrepreneur, while remaining agile and flexible at each step of the company lifecycle: start-up, growth, internationalisation, innovation, green transition, transfer of ownership. Particularly in these times of crisis and uncertainty, I would like to pay tribute to the resilience of our companies – they faced the economic and health crises, and now they must handle the instability of the markets and supply chains due to the geopolitical tensions.

Due to the Covid crisis and the catastrophic floods that hit many businesses in Wallonia last summer, the '1890' information and guidance tool, launched by SOWALFIN in 2019, was turned to especially often, with more than 35,000 calls to respond to the needs of companies. However, these exceptional circumstances do not dampen the entrepreneurial spirit of Walloon entrepreneurs.

In 2021, we saw a lot of dynamism, especially in M&A projects. We advised 761 potential buyers, and met 623 potential sellers on SOWALFIN Transmission's marketplaces. I would also like to underline the importance of our network of 175 private advisors, who work closely with these entrepreneurs and prepare them for a good transfer or acquisition.

In the coming years, SOWALFIN Transmission, and its equivalents in Flanders and Brussels, as well as private M&A advisors, will play a crucial role in supporting our companies, and especially small businesses, to get back on the path to growth. Our companies show potential and our role is to help them become champions – in Belgium, but also at the international level. At SOWALFIN Transmission, we can count on the Transeo Deal Club to help our strategic buyers find targets. broad.

"In the midst of every crisis, lies great opportunity." I am convinced that there are opportunities to seize for our businesses. 2022 will be a great year for entrepreneurship, growth and acquisitions. And SOWALFIN Transmission will be there.

SOWALFIN TRANSMISSION

**Jean-Pierre Di Bartolomeo**
**SOWALFIN**
**President of the Executive Committee**

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