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Foreword

After a strong run since October, Europe ex-UK **equites fell 2.1%** over the month. During the month, inflation data confirmed that **headline inflation was up 0.1%** to 7.0% year on year. It's against this backdrop that the European Central Bank delivered an expected **25 basis point hike**, raising the deposit rate to 3.25%.

On the upshot, evidence from the recent mergermarket survey, is indicating a **growing appetite in dealmaking**. Inflation remains a troublemaker (although there are signs that the pressure is starting to ease) but despite M&A activity to be influenced by cyclical economic drivers, it is also **shaped by non-cyclical factors** driven by **deep-rooted trends**.

In May, VDP joined the annual (**AICA**) Alliance of International Corporate Advisors EMEA Conference in Dublin. It was great to meet all of our colleagues and we enjoyed discussing **current challenges**, **opportunities** and **trends** in the M&A landscape.

Although there were no closings in the month of May, we still feel **traction in the market** with the initiation of **4** sell side mandates.

We hope you enjoy this reading.

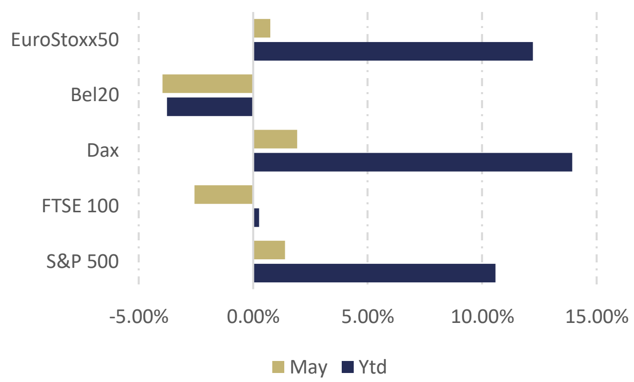
Yours sincerely,

The VDP team

Overview Macroeconomic situation

The **divergence between the service and manufacturing** sectors – which was addressed in our latest edition – **further widened** in May, painting a mixed picture of the global economy. Both the eurozone and UK services flash PMIs remained above the 55 level, with anything above 50 indicating expansion. This momentum **was supported by robust labour markets**, with unemployment near historic lows in the eurozone (6.5%). In contrast, the situation in manufacturing is much worse. The eurozone **manufacturing PMI** business survey fell to 44.6 in May, its **lowest level in three years**, signaling a contraction on activity.

Chart 1: Performance main indices



Commodity prices also experienced some **weakness**. However, core inflation remained stubbornly high in Europe and the US and the prospect of sustained **strong wage growth** has fueled investor concerns that central banks could tighten further, leaving peak policy **rates higher than initially expected.** Against this backdrop, yields on bonds rose, leading to a return of -2% for global bonds, while developed market stocks fell about 1%.

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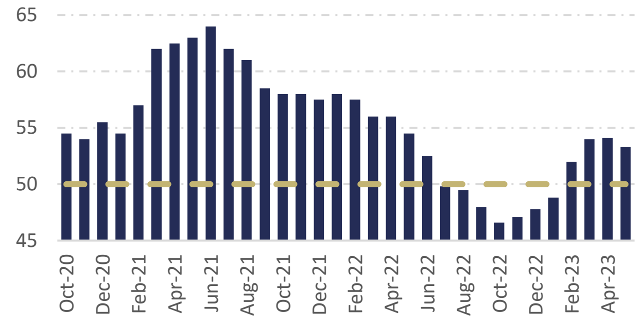
Chart 2: European composite PMI index



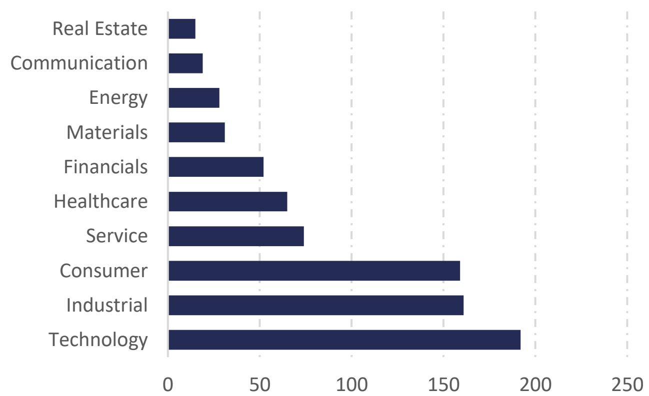
Source: MergerMarket

Markets currently expect **two further rate hikes** to a terminal deposit rate of 3.75%. The latest bank lending survey showed a further tightening of credit standards and a pronounced **weakness in credit demand**. At the same time, consumer confidence barely improved versus April. After a strong run since October, all the above have let the **European ex-UK equites to fall 2.1%** over the month.

European M&A activity

Although dealmaking got off to a **slow start** in 2023, a new survey by mergermarkets is showing evidence of **growing appetite**. In fact dealmakers are forecasting an uptick in M&A activity driven by a wealth of factors from **digitalization** and **distressed opportunities** to industry **consolidation** and the predominance of **private equity** dry powder.

Chart 3: # of EU transactions per sector (May)

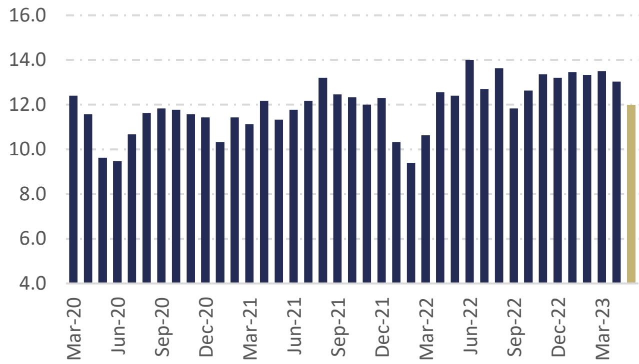


Source: MergerMarket

A number of related trends **support this prognosis**. There are signs that inflationary pressures are beginning to ease (from high levels), at least in developed markets, thanks in great part to **retreating commodity prices**.

Additionally, despite M&A activity to be influenced by cyclical economic drivers, it is also shaped by **non-cyclical factors** that are driven by **deep-rooted shifts in technology**, **legislation and investor appetites**. Long-term trends of this sort will always drive deals – even when markets are down.

Chart 4: Multiple (EV/EBITDA) EU M&A (3m moving avg)

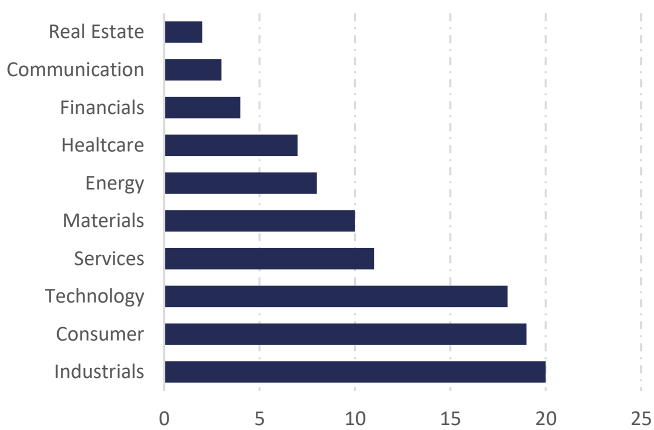


Source: MergerMarket

Belgian M&A review

During the last 3 months, we've noticed **a recovery in Belgian M&A activity** with **90 deal** announcements for a total deal value of around €3.0bn. **PEs are still active** with 30 (29%) transactions, while **cross-border investors** represented the bulk of the deal flow – 63 (62%) deals. We saw strong activity in the **industrial sector**, while **consumer and technology** are expected to remain a large contributor to the Belgian M&A landscape.

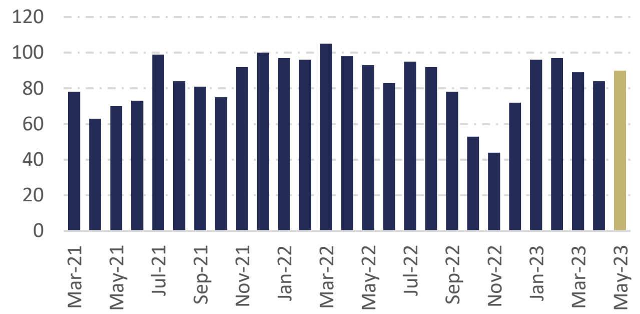
Chart 5: # of Belgian transactions per sector (L3M)



Source: MergerMarket

Especially the **technology sector is showing no signs of letting up**. It continues to remain one of the **most active sector** and will likely produce a steady stream of deals in the near future. In general, we remain optimistic on the level of M&A activity, which should be further supported by the recovery of economic indicators.

Chart 6: Evolution of # of transactions (L3M)



Source: MergerMarket

Overview of recent VDP transactions