VLERICK BUSINESS SCHOOL

2024 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 | WE Wallonie Entreprendre Cession & Acquisition

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Please direct questions and comments about this report via e-mail to: **mathieu.luypaert@vlerick.com**.

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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 Wallonie Entreprendre.

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PREFACE

WHAT GOES UP MUST COME DOWN (ONLY TO GO UP AGAIN) ...

M&A activity has historically followed a wave pattern that has been highly correlated with the economic cycle. Since the recovery following the subprime and sovereign debt crisis, the global M&A market has been booming, eventually reaching a record level of close to $6 trillion in 2021. After two consecutive years of a shrinking volume of M&A transactions, we can conclude that the wave really came to an end last year with a global deal volume of around $3 trillion, in line with levels of 10 years ago.

While the Belgian market initially proved to be more resilient, the results of our yearly survey of M&A experts also illustrate a strongly declining trend in Belgium in 2023. 2 out of 3 respondents acknowledge such a decline, and around half of the surveyed experts even point towards a fall of more than 10%. The drop seems to be most outspoken for very large deals and private equity transactions. The M&A professionals also report that they have worked less on M&A in the technology sector, indicating that tech deals have been more adversely impacted by market uncertainty and financing conditions.

The near future, however, looks much brighter. Despite sustained geopolitical worries, 81% of all survey participants do not expect the decreasing trend to continue in 2024. In the segment of large transactions (exceeding €50 million), 75% even anticipate an upsurge in deal activity. The expected rise is more pronounced for financial buyers, fuelled by an abundance of dry powder and anticipated cuts in interest rates.

When assessing deal characteristics, we note that targets were acquired at an average EV/EBITDA multiple of 6.4 in 2023, down from 6.7 in 2022. The drop is visible across size segments, except for the smallest deals (below €5 million). The respondents highlight the increased cost of debt financing as a key driver behind the observed decrease in multiples. Our results illustrate that typically 3.2 times the EBITDA could be borrowed when financing acquisitions in 2023, at an average interest rate of 4.7% on senior debt.

In this year's Monitor, we also wanted to shed more light on two emerging themes in the M&A market: the role of ESG, and the use of data analytics. Our results demonstrate the increased importance of ESG factors in various phases of the deal process. In addition, we find that 84% of financial investors include ESG in their investment policies, compared to only 38% two years ago. While the overwhelming majority of the surveyed M&A experts admit to having only a modest level of proficiency with regard to data analytics, they stress its strong benefits for operational efficiency and decision support in the early phases of the M&A process.

These findings – and many other typical deal, financing and process characteristics – are presented and discussed in detail in the remainder of this document. We wish you an insightful read!

MATHIEU LUYPAERT
Professor in Corporate Finance
& Head of Centre for Mergers,
Acquisitions and Buyouts
Vlerick Business School

SARAH MULLER
Doctoral Researcher
Centre for Mergers,
Acquisitions and Buyouts
Vlerick Business School

TOM FLORU
Doctoral Researcher
Centre for Mergers,
Acquisitions and Buyouts
Vlerick Business School

METHOD

The insights presented in this report are based on the online survey responses of 138 Belgian M&A experts collected between 29 January and 8 March 2024. This sample of M&A professionals was gathered through Vlerick Business School'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 were involved in during 2023.

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.

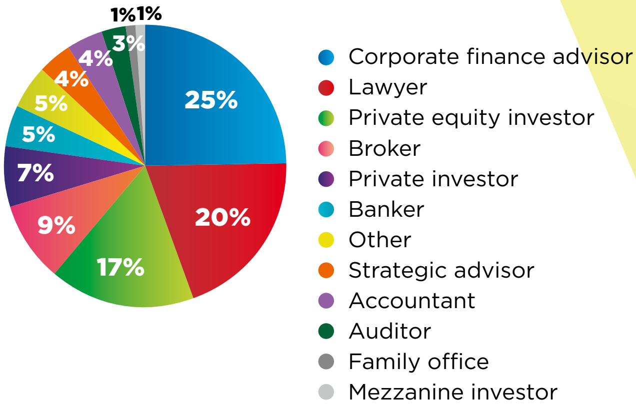
This report provides the aggregated results from our survey. In some cases, extreme outliers were removed from the sample.

ABOUT THE RESPONDENTS

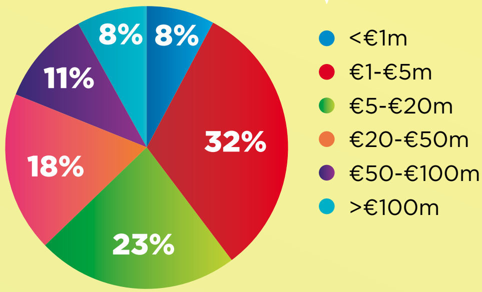
Representing a comprehensive view of the entire Belgian M&A market, the surveyed experts:

- cover a wide variety of professional roles – with corporate finance advisors (25%), lawyers (20%), private equity investors (17%), and brokers (9%) as the most prominent groups;
- embody various deal segments: 19% work on deals with a value greater than €50 million (vs. 17% in 2022). Moreover, 41% of the respondents are primarily active in M&A with a deal value between €5 to €50 million (vs. 52% in 2022) and 40% work on small transactions <€5 million (vs. 31% in 2022), suggesting a shift from mid-sized deal segments in 2022 to smaller transactions in 2023;
- cover a wide range of industries, with the strongest presence in business services (69%), industrial products (41%), and construction (40%). While technology was the second most represented industry in 2022, it dropped to 5th place in 2023 (33% of all respondents);
- have an average of 15 years of professional M&A experience, with a minimum of 1 year and a maximum of 40 years;
- have worked on an average of 9 deals over the 12 months preceding this survey;
- are active in the 3 central regions of Belgium (103 in Flanders, 90 in Wallonia, and 87 in Brussels), as well as outside Belgium's borders (54 in Europe, 26 in other regions).

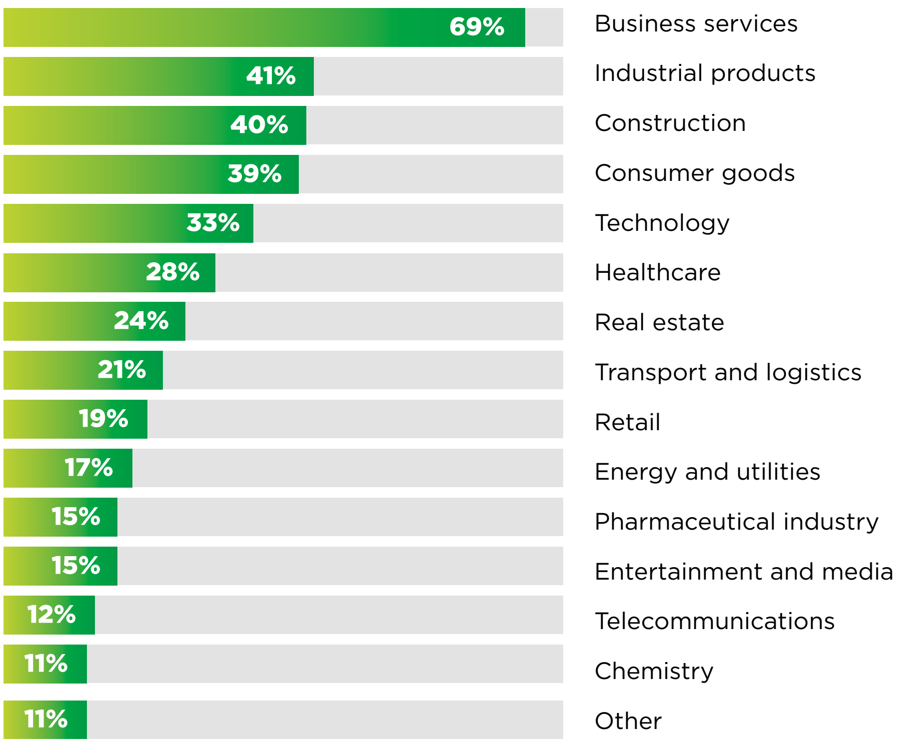
% RESPONDENTS PER PROFESSIONAL ROLE



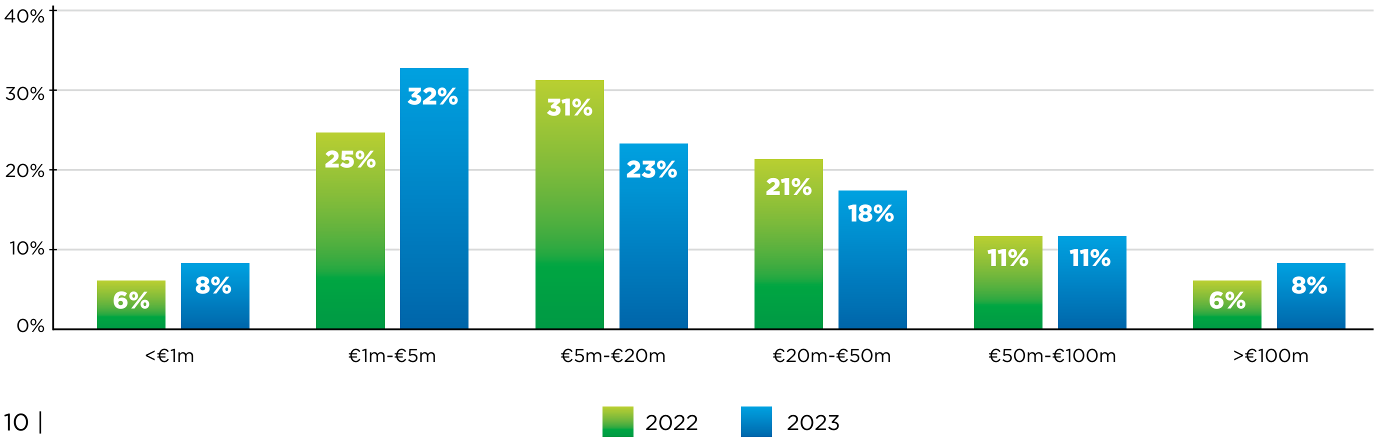
PRIMARY MARKET SEGMENT OF RESPONDENTS - TRANSACTION VALUES



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



PRIMARY MARKET SEGMENT OF RESPONDENTS - TRANSACTION VALUES 2022-2023



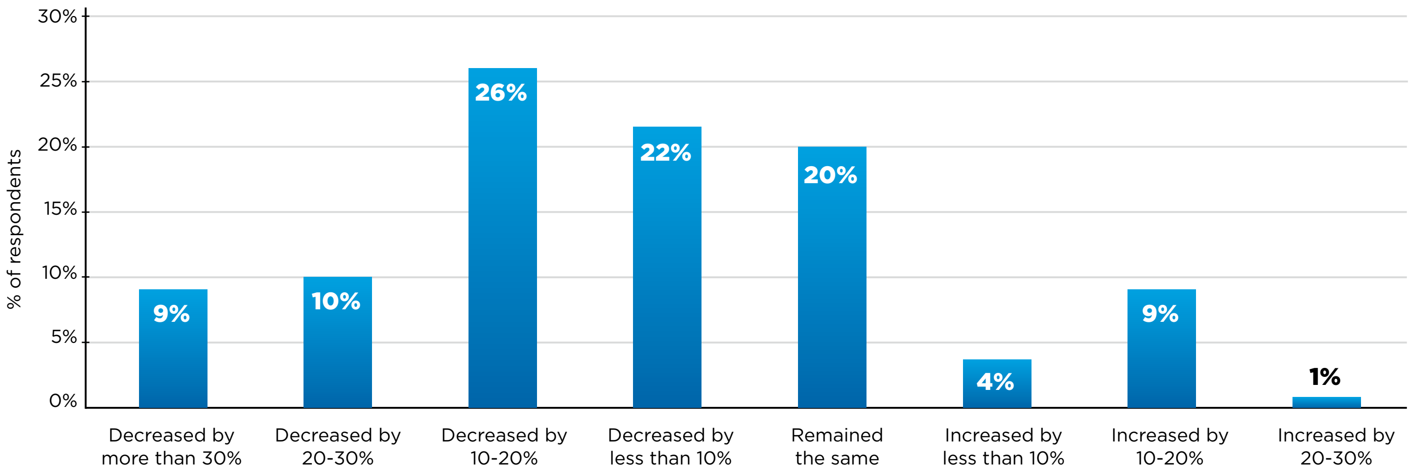

1,539
1,107
1,191
1,752
795

THE EVOLUTION OF THE BELGIAN M&A MARKET

SIGNIFICANT SLOWDOWN IN BELGIAN M&A ACTIVITY

The M&A market encountered strong headwinds in 2023, driven by a notable blend of rising interest rates, macro-economic hurdles, and geopolitical uncertainties. Our survey results on the evolution of Belgian deal activity reflect a clear downward trend, with 2 out of 3 respondents reporting a decrease in the number of transactions, and 45% of all respondents even highlighting a decline of more than 10%. These findings correspond with an overall slowdown of M&A activity across the globe. The London Stoch Exchange Group (LSEG) reports a 17% year-on-year decline in global M&A dollar volume to $2.9 trillion in 2023.[1]

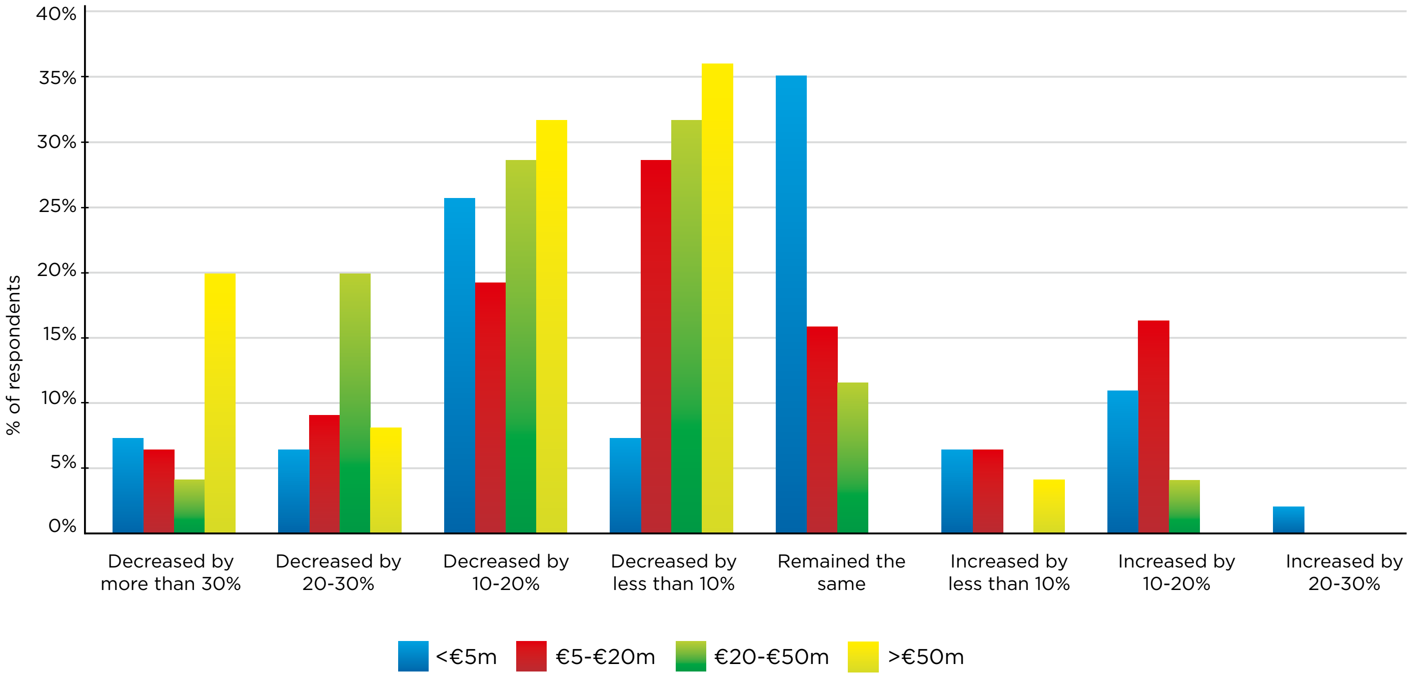
NUMBER OF M&A TRANSACTIONS IN 2023



1 *https://www.lseg.com/en/insights/data-analytics/dealmaking-outlook-unsettled-with-bright-spots*

When looking at the evolution by size category, it is apparent that the drop in M&A activity has been most outspoken in the larger deal segments. 96% of all respondents working on deals with a transaction value exceeding €50 million experienced a decline in deal activity, and 60% report a drop of more than 10%. Interestingly, whereas M&A experts last year predicted a positive outlook for smaller deals (<€5 million), our results indicate that these deal segments started to lose their resilience against the global economic downturn, with 46% of respondents reporting a reduction compared to only 33% in 2022. Moreover, it is noteworthy that, in the mid-sized segments (€5 to €50 million), 72% of all respondents reported diminished deal volumes, versus only half of the respondents in 2022.

2023 EVOLUTION OF NUMBER OF M&A TRANSACTIONS PER SIZE CATEGORY



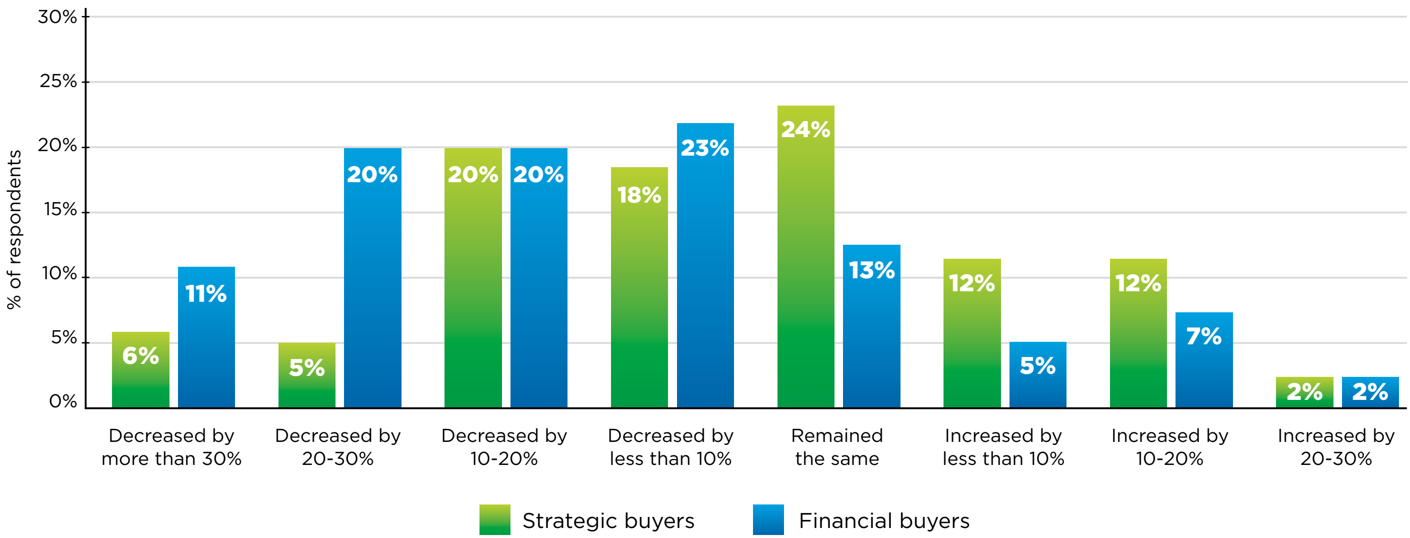
> In 2023, the M&A landscape reflected broader economic trends, resulting in a discernible contraction in deal volume across the board. The most significant pull-back occurred in the realm of the larger segment, whereas smaller segments – also experiencing a decline – showed a degree of resilience.

Luc Wynant, Van Olmen & Wynant, Partner

Since the latter half of 2022, financial buyers (i.e., private equity) have weathered a more pronounced deterioration in deal activity compared to their strategic counterparts. A continued elevated cost of debt financing has made this trend persist into 2023.

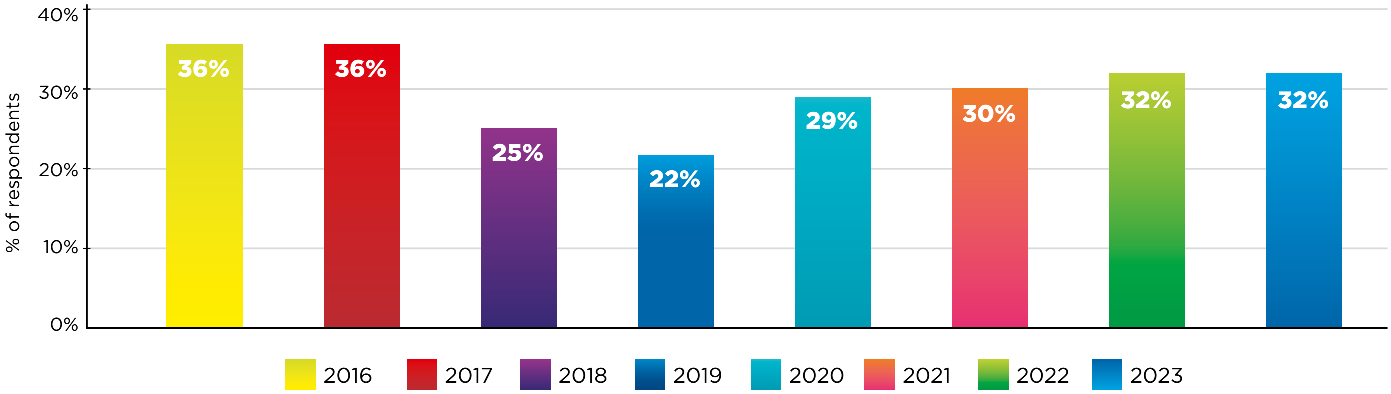
While 71% of the surveyed M&A experts point towards fewer acquisitions by financial buyers over the past year, only 49% noticed decreasing strategic deal activity.

2023 EVOLUTION OF NUMBER OF M&A TRANSACTIONS PER BUYER CATEGORY



Despite prolonged macro-economic challenges and geopolitical uncertainties, the fraction of Belgian acquirers buying cross-border targets remained stable at 32% of total deal volume. This highlights the continued benefits of such transactions despite increased external risks. Additionally, investors may be motivated to diversify their portfolios by seeking opportunities in more favourable markets.

% OF CROSS-BORDER DEALS BY BELGIAN ACQUIRERS

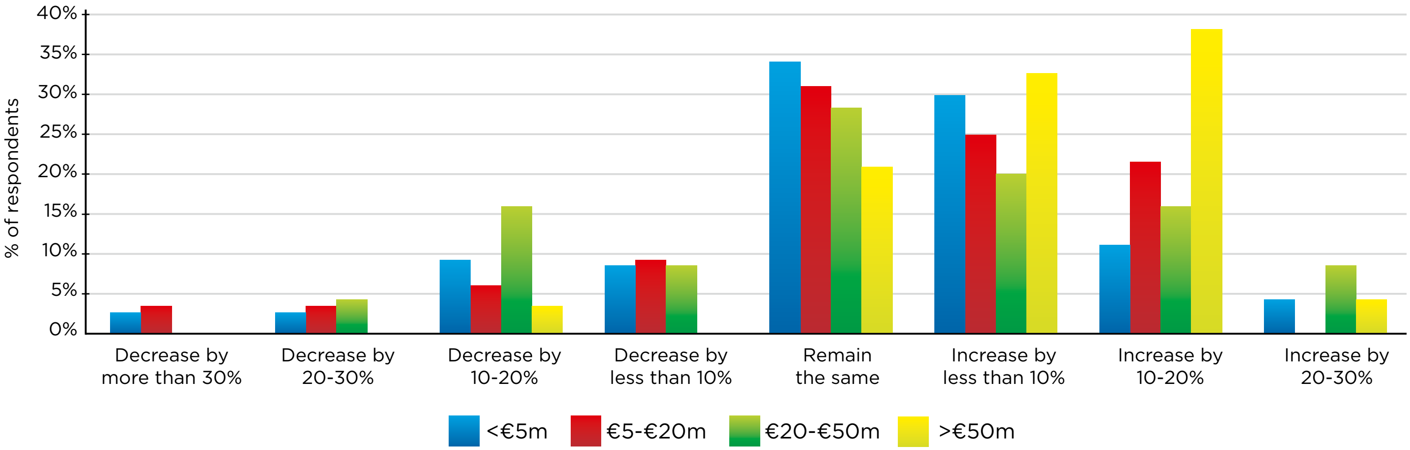


2024 M&A OUTLOOK: SUNSHINE IS ON THE HORIZON

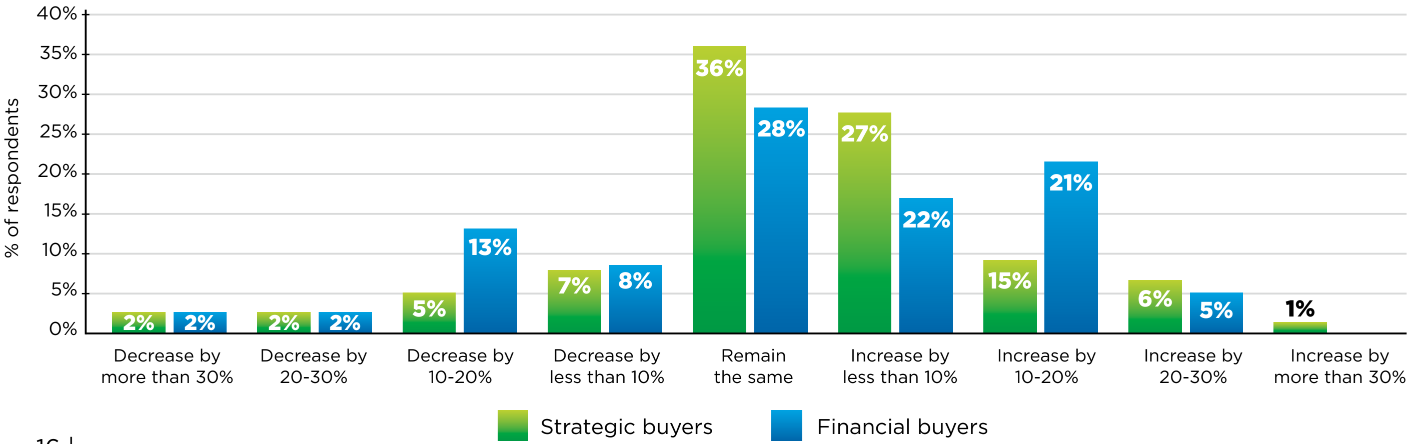
Looking ahead, the surveyed M&A experts believe the worst is behind us, and they predict a brighter future for all deal segments in 2024. Half of the respondents anticipate intensified transaction volumes in 2024, whereas only 1 out of 5 expect a further decrease in deal activity. About one third of the respondents predict that M&A activity will remain stable. The most optimistic forecasts are for the segment of the largest deals (exceeding €50 million) with 75% foreseeing an upsurge.

While financial buyers took the hardest hit in 2023, expectations going forward are comparable across both categories of buyers. The extent of the anticipated increase is even somewhat more outspoken for the financial buyers, fuelled by massive dry powder and impending interest rate cuts.

EXPECTED EVOLUTION OF M&A TRANSACTIONS FOR 2024 PER SIZE CATEGORY



EXPECTED EVOLUTION OF M&A TRANSACTIONS FOR 2024 PER BUYER CATEGORY



Looking ahead to 2024, we foresee a strong recovery of the M&A market. There is a revived appetite to invest, and the necessary resources are at hand. Companies with a strong foothold in the value chain are particularly sought after. As a result, we expect that both this year and the next will be characterised by an increase in M&A activity.

Veerle Catry, BDO, Partner

The increase in the number of sales mandates on the market is not yet reflected in a normalisation of the number of deals. This makes the outlook for 2024 positive.

Dominic Dhaene, Bank Van Breda, M&A Expert

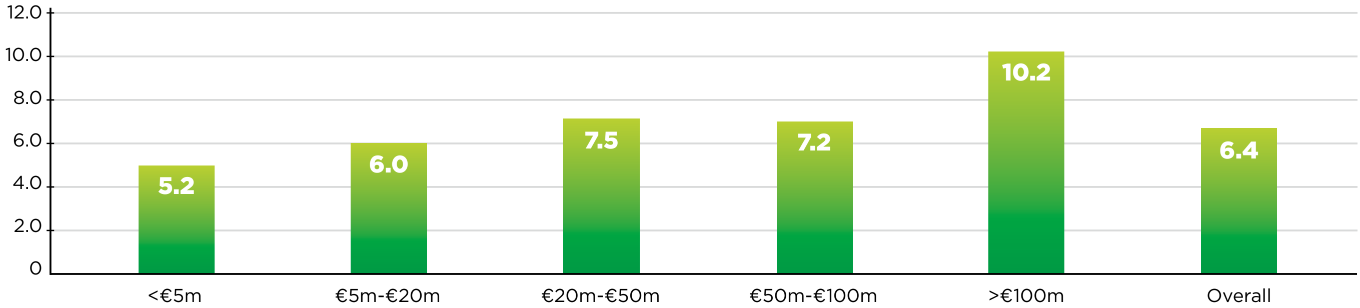
We eagerly anticipate observing how financial buyers utilize their abundant dry powder in the context of declining interest rates to impact the 2024 M&A landscape.

Luc Wynant, Van Olmen & Wynant, Partner

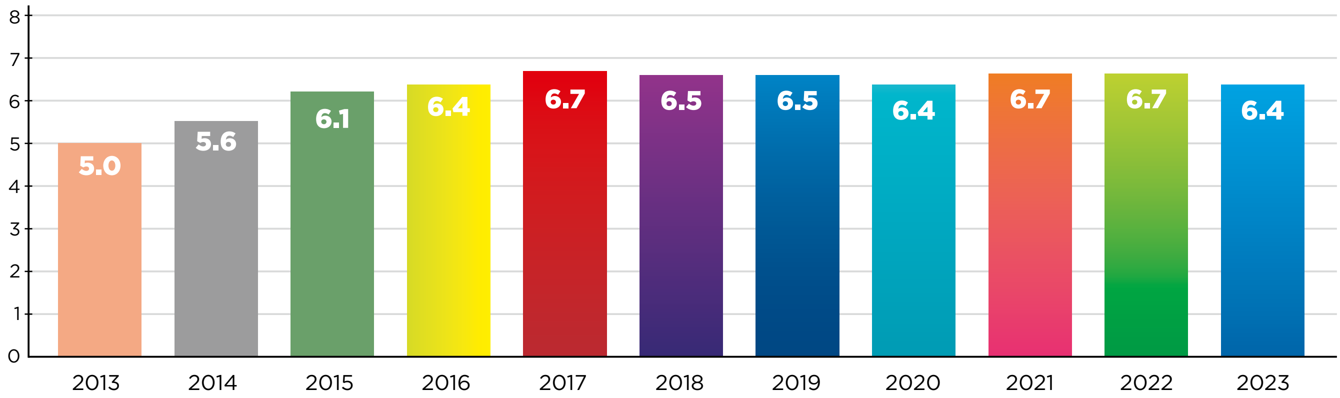
DEAL VALUATION

Targets were acquired at an average Enterprise Value (EV)/EBITDA multiple of 6.4 in 2023, marking a slight decrease compared to the previous year's overall multiple. This decrease is primarily attributable to the mid-sized deal segment. In fact, transactions within the size bracket of €5-€20 million experienced a decrease of 0.6 in the multiple. Notably, there has been a consistent decline in multiples for transactions exceeding €20 million since 2020, reflecting increased risks and uncertainties as a result of broader market conditions and geopolitical tensions. However, multiples for transactions below €5 million have remained remarkably stable over the last 4 years, with a slight increase of 0.1 compared to the previous year. This illustrates that, next to deal activity, the price setting has also been more robust for smaller transactions.

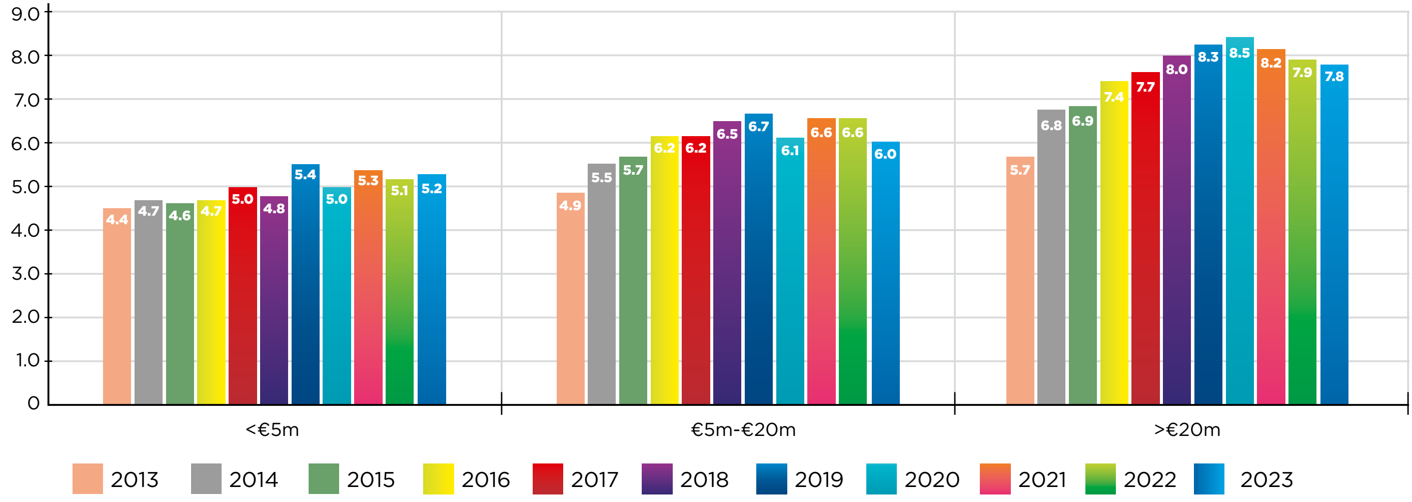
EV/EBITDA MULTIPLE



EVOLUTION OF THE OVERALL EV/EBITDA MULTIPLE

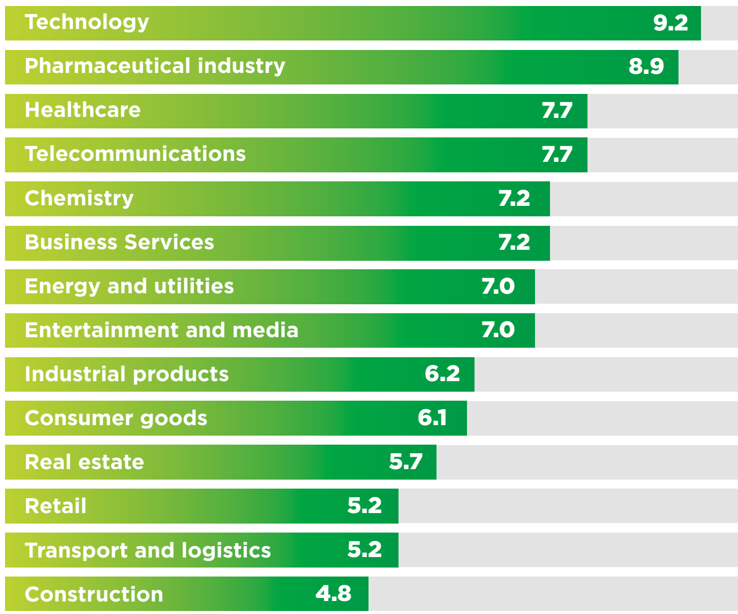


EVOLUTION OF THE EV/EBITDA MULTIPLE PER SIZE CATEGORY



Next, we invited the respondents to provide input into the multiples observed per industry. Knowledge-intensive and high-growth sectors – such as technology (9.2) and pharmaceuticals (8.9) – traditionally report the highest multiples. Similarly, highly regulated, and innovation-driven industries – such as healthcare (7.7) and telecommunications (7.7) – exhibit elevated multiples. Chemistry (7.2), business services (7.2), energy and utilities (7.0), as well as entertainment and media (7.0) are positioned above the average EV/EBITDA level. Worthy of note: the EV/EBITDA multiple in business services increased by 0.5 compared to the previous year. Companies in more traditional sectors – such as industrial products (6.2), consumer goods (6.1), and real estate (5.7) – fall just below the midpoint. Targets operating in capital-intensive or lower-growth industries – such as retail (5.2), transport and logistics (5.2), and construction (4.8) – are ranked at the bottom of this list. In general, the relative ranking of each sector aligns closely with last year's Monitor.

EV/EBITDA MULTIPLE PER INDUSTRY



The table below also reports differences across size segments within these industries. We require at least 5 responses inside every cell to obtain representative findings. Therefore, data for the energy and utilities and telecommunications sectors are excluded. The relative ordering of multiples within each size category is similar to the overall averages.

EV/EBITDA MULTIPLE

	<€5 million	€5 - €20 million	>€20 million
Technology	6.7	7.3	11.3
Pharmaceutical industry	NA	NA	9.9
Healthcare	6.8	6.8	8.5
Chemistry	NA	NA	7.3
Business services	5.7	6.6	8.8
Entertainment and media	NA	NA	8.3
Industrial products	5.3	5.8	6.9
Consumer goods	5.7	5.6	6.6
Real estate	5.0	NA	NA
Retail	5.0	4.9	NA
Transport and logistics	4.6	4.4	6.1
Construction	4.5	4.6	5.6

> The period of ‘the sky is the limit’ is over, and both buyers and sellers have adjusted their expectations. However, for a good target, the multiples remain stable.

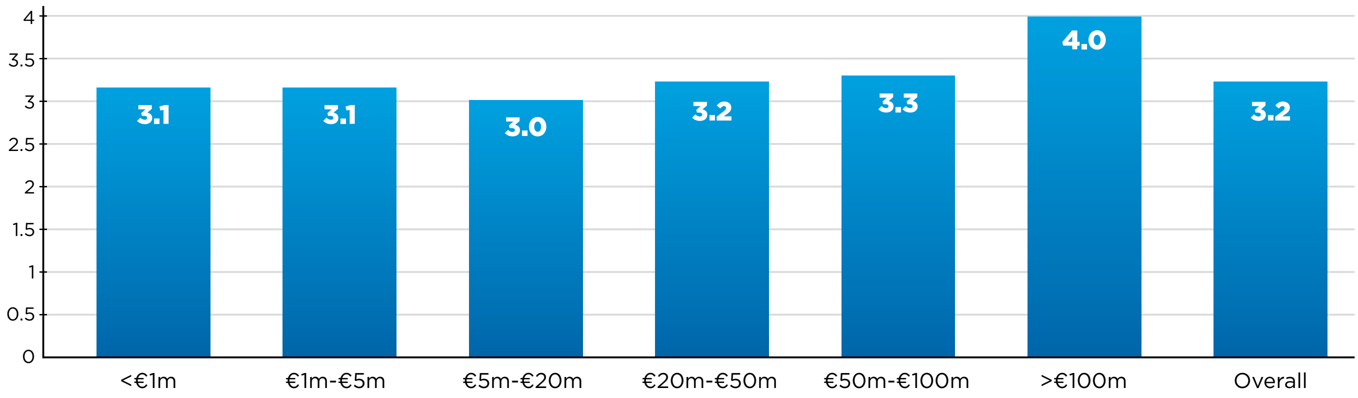
Dominic Dhaene, Bank Van Breda, M&A Expert

DEAL FINANCING

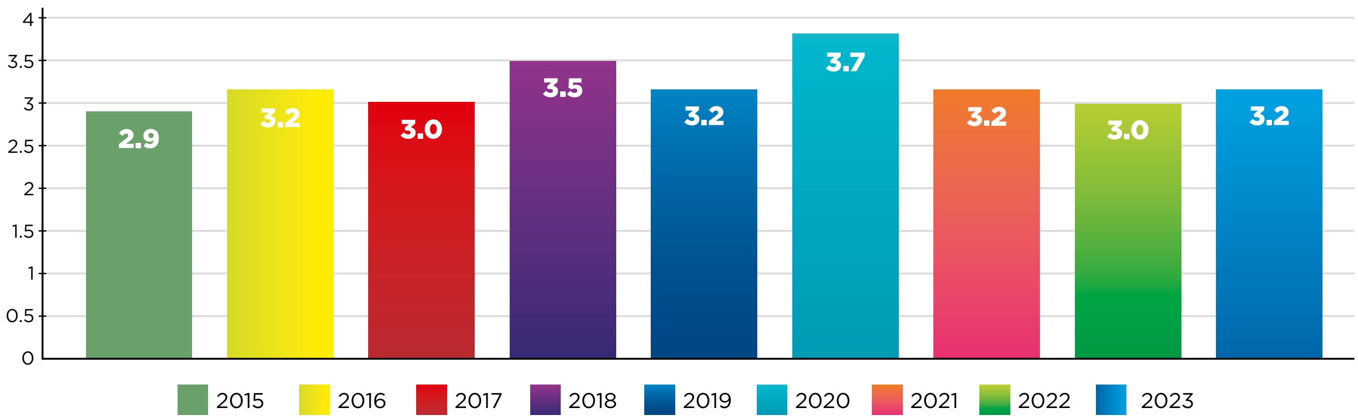
Looking into the sources of funds used to finance M&A transactions, we examine the typical extent of debt financing in M&A by asking our respondents about the average ratio of net financial debt (NFD) to EBITDA. In addition, we included questions on the use of delayed payments that are fixed (vendor loans) or that depend on post-M&A performance (earnouts). Finally, we examined the consequences of rising interest rates, one of the key features of the economic climate in 2023.

The average ratio of net financial debt to EBITDA amounts to 3.2. This is found to be comparable across the different size segments, except for the largest deals (exceeding €100 million), where the ratio amounts to 4.0 on average. From a historical perspective, the average NFD/EBITDA ratio has returned to its 2021 level and has remained relatively stable overall. The average interest rate for senior debt in acquisition financing amounts to 4.7% in 2023.

NFD/EBITDA PER SIZE CATEGORY IN 2023

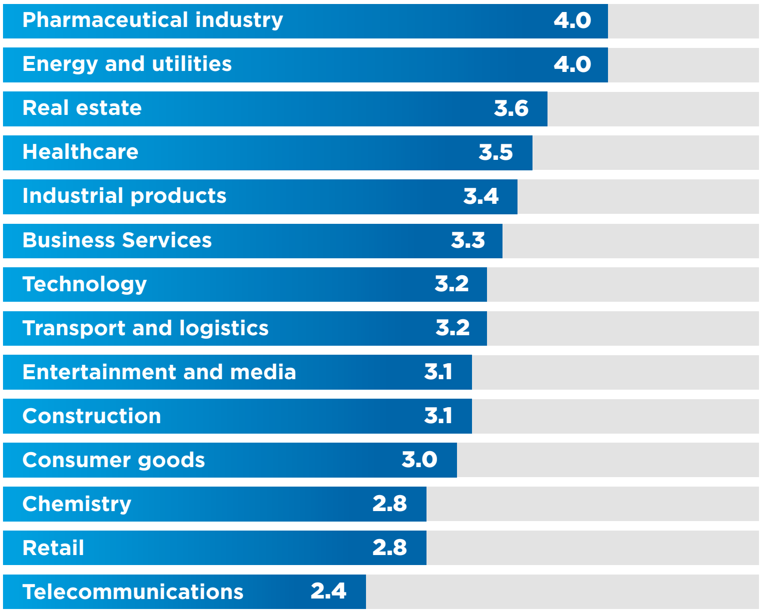


EVOLUTION OF THE OVERALL NFD/EBITDA



We also surveyed our experts on the average sector NFD/EBITDA ratios used to finance M&A transactions. A remarkable jump in the NFD/EBITDA ratio can be observed for the pharmaceutical industry, with an NFD/EBITDA of 3.0 in 2022 to 4.0 in 2023. Together with an NFD/EBITDA of 4.0 for the energy and utilities business, these sectors score well above the overall average (3.2) in terms of debt financing. This finding coincides with a relative increase in deal activity in these particular sectors. Deals in chemistry (2.8), retail (2.8), and telecommunications (2.4) are financed through lower debt levels.

NFD/EBITDA PER INDUSTRY IN 2023

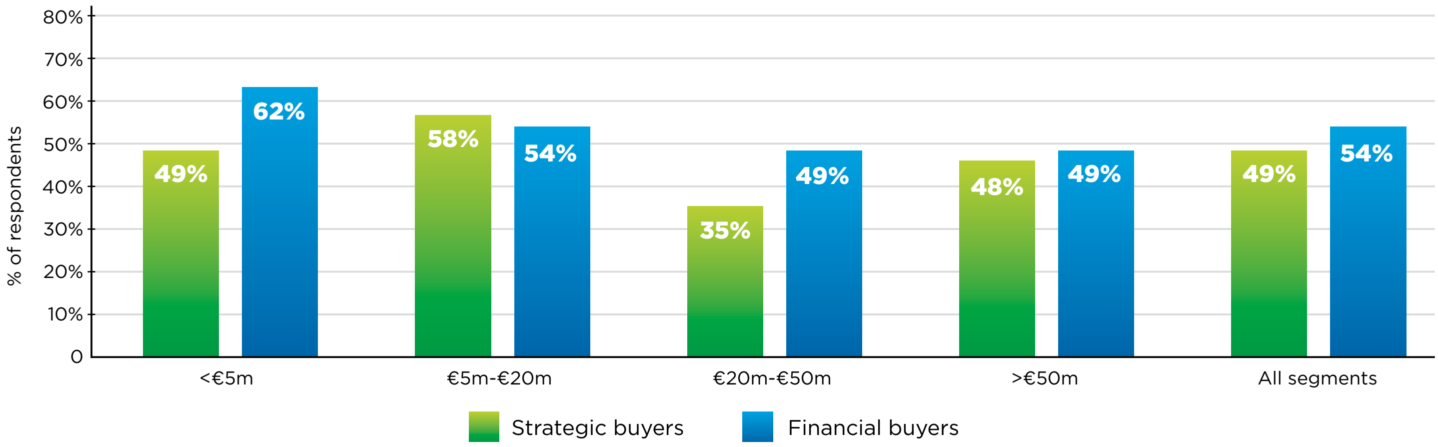


A target with recurring and/or growing EBITDA still finds acquisition financing.

Dominic Dhaene, Bank Van Breda, M&A Expert

We further find that financial buyers tend to finance a slightly higher proportion of the deal price through debt (54%) compared to strategic buyers (49%). This trend is particularly pronounced for deal segments smaller than €5 million and between €20 and €50 million. Surprisingly, in the larger deal segments, the proportion of debt used to finance a deal is almost equal for strategic (48%) and financial buyers (49%). Deal structuring of larger buyouts is typically driven by debt market conditions rather than firm characteristics, as illustrated by academic research.[2] The high interest rate environment might motivate financial buyers to put more of their dry powder to work by increasing the fraction of the deal price that consists of equity.

FRACTION OF DEAL PRICE FINANCED THROUGH DEBT PER BUYER IN 2023

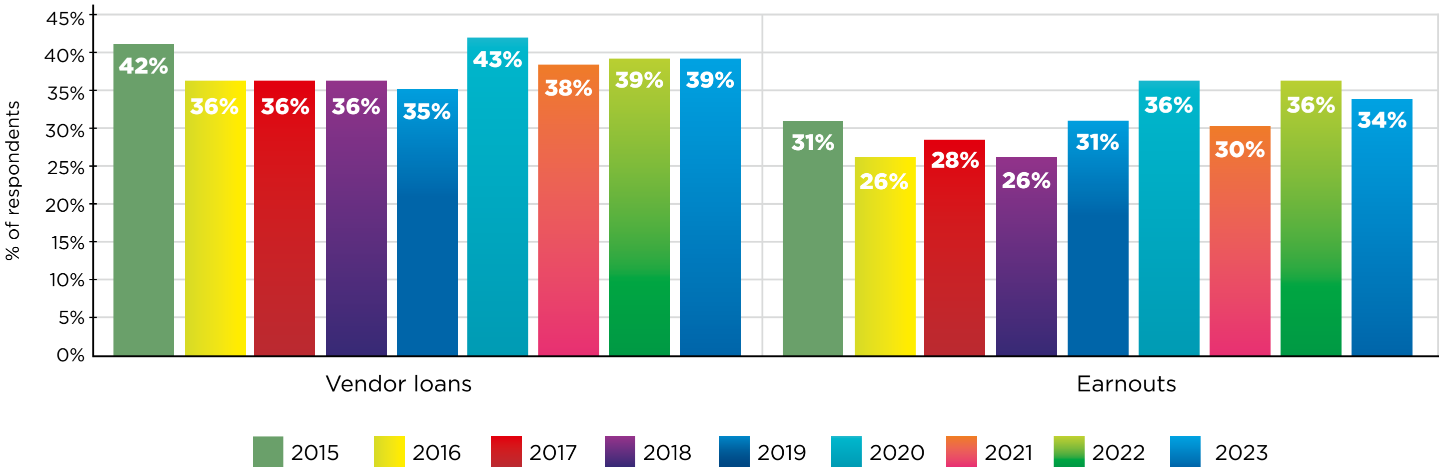


From a historical perspective, the use of both earnouts and vendor loans remained quite stable in 2023, despite experts' forecast of a somewhat increased use of deferred payments in the form of earnouts and vendor loans in last year's Monitor.

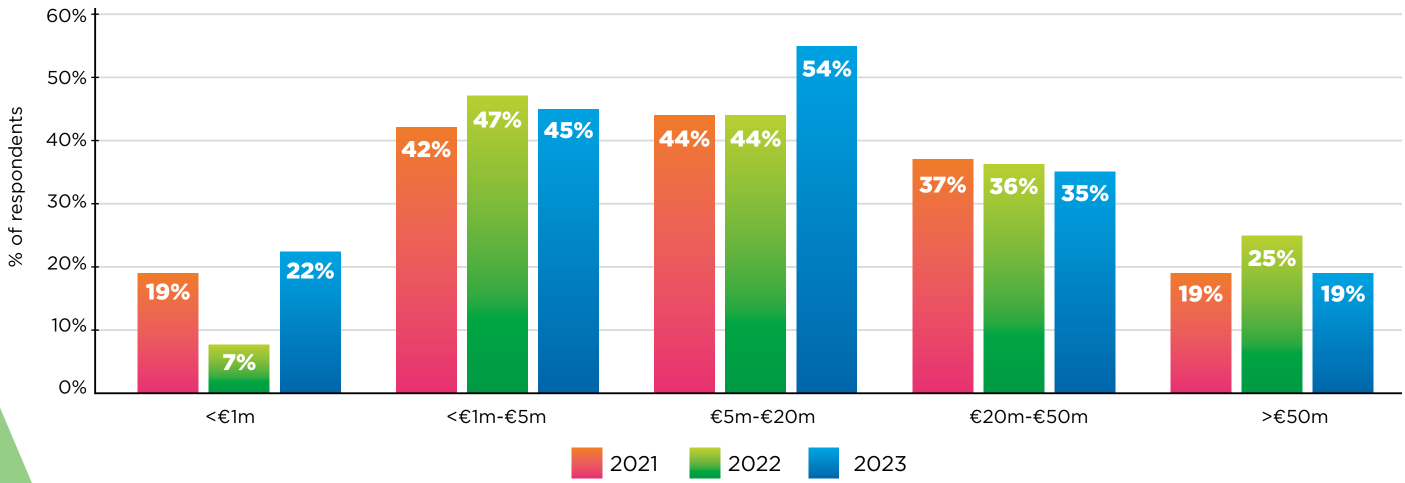
Upon closer examination, we observe a notable increase in the proportion of M&A transactions involving a vendor loan in the smallest deal segment (<€1m), rising to 22% in 2023 compared to 7% in 2022. Similarly, the mid-sized deal segment (€5-€20m) saw a surge to 54% in 2023, up from 44% in 2022. The average vendor loan in 2023 comprised an interest rate of 6.0% (vs. 5.1% in 2022). Meanwhile, other deal sizes remained relatively stable. Additionally, our experts noted a rise in the proportion of M&A transactions featuring an earnout in the smallest (<€1m) and largest deal segments (>€50m). However, overall, the prevalence of earnouts in mid-sized deals returned to 2021 levels.

2 *Axelson, U., Jenkinson, T., Strömberg, P., & Weisbach, M. S. (2013). Borrow cheap, buy high? The determinants of leverage and pricing in buyouts. Journal of Finance, 68(6), 2223-2267.*

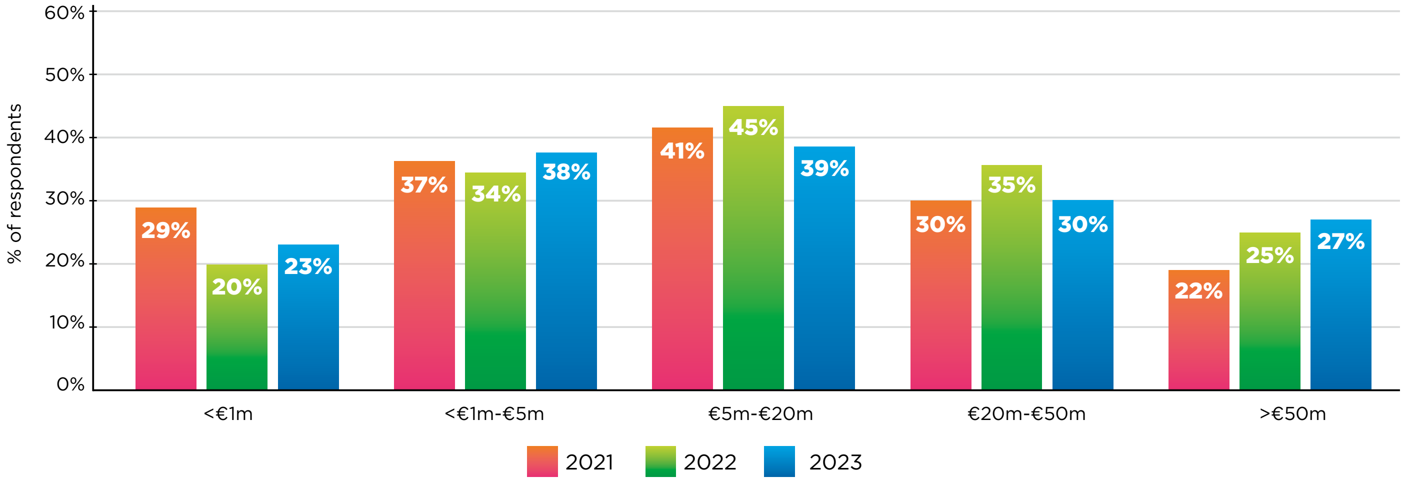
HISTORICAL EVOLUTION OF THE USE OF VENDOR LOANS AND EARNOUTS



FRACTION OF M&A TRANSACTIONS WITH A VENDOR LOAN IN 2023

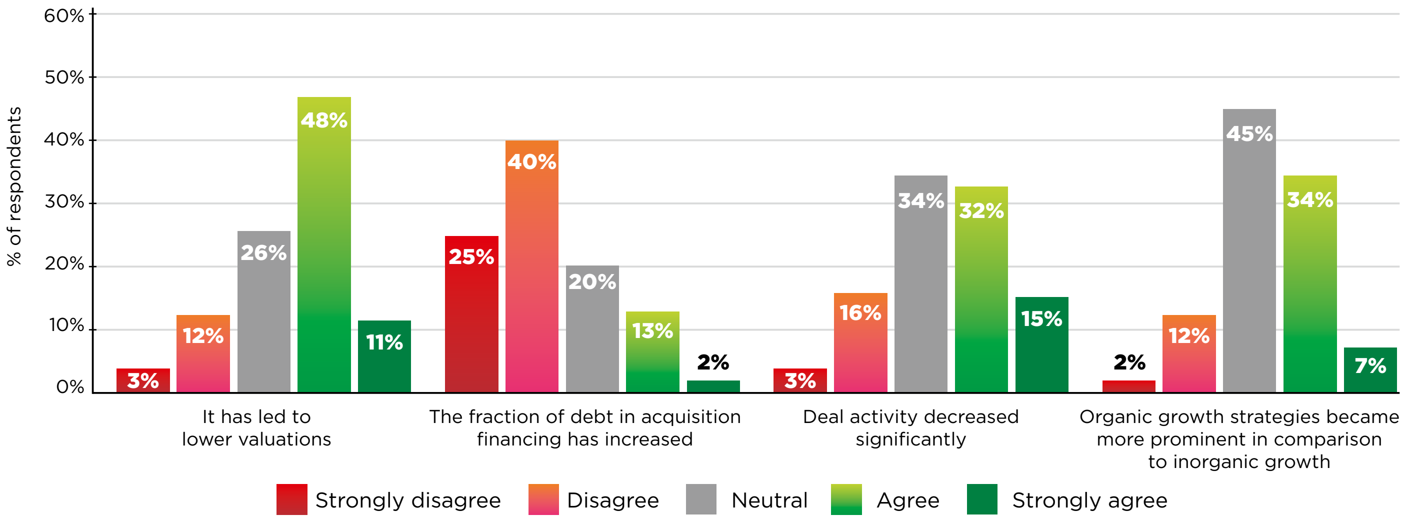


FRACTION OF M&A TRANSACTIONS WITH AN EARNOUT IN 2023



Finally, we polled our experts on the impact of rising interest rates following tighter monetary policy since the Summer of 2022. While only 47% of the respondents explicitly attribute the increased cost of debt financing to the decrease in deal activity, 59% noticed a negative impact on valuation multiples (although only to a limited extent – see below). Moreover, our experts indicate a decreased use of debt in acquisition financing and an increased reliance on organic versus inorganic growth.

IMPACT OF INCREASED INTEREST RATES ON 2023 M&A



"A good adviser will look after your interests and will be able to get a deal done even in uncertain times. There is no point in continuing to negotiate.

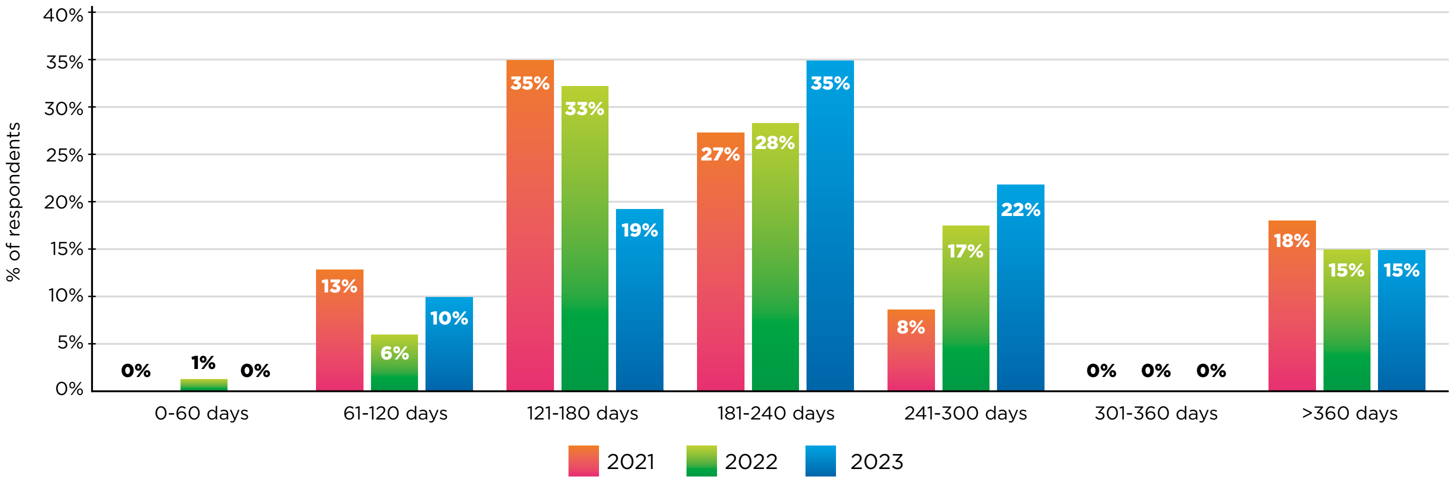
Dominic Dhaene, Bank Van Breda, M&A Expert

DEAL PROCESS

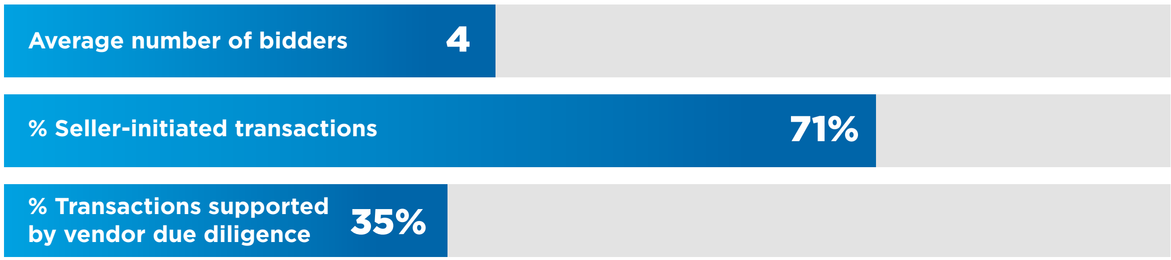
We assessed how the length of a typical deal process, from initiation to completion, has evolved over recent years. Overall, we observe a significant increase in the duration of the process. Almost 3 out of 4 respondents indicated that the average length of the deal process surpassed 6 months in 2023 (compared to 60% in 2022 and 53% in 2021). This trend can be attributed to market uncertainty and volatility, driven by factors such as increased interest rates, rising inflation, and geopolitical tensions. These conditions compel buyers to conduct comprehensive due diligence processes and exert greater effort in negotiations. Moreover, additional regulatory hurdles may significantly lengthen the deal-making process.

When analysing the initiating party, we find that 71% of all transactions in 2023 were initiated by the seller. Our results further show that, on average, 4 bidders make an indicative offer when a target is put up for sale, while vendor due diligence was utilized in 35% of transactions. Overall, these statistics demonstrate stability over time when compared to previous editions of this report.

DEAL LENGTH



DEAL PROCESS CHARACTERISTICS



> The extended timelines of Belgian M&A transactions reflect a strategic response to evolving market uncertainties and complexities, where diligence and careful negotiations are paramount in navigating the shifting landscape of deal-making.
>
> In my practice as a corporate lawyer, we have observed a notable increase in the duration of Belgian deals, most likely driven by heightened market uncertainties and regulatory complexities.

Luc Wynant, Van Olmen & Wynant, Partner

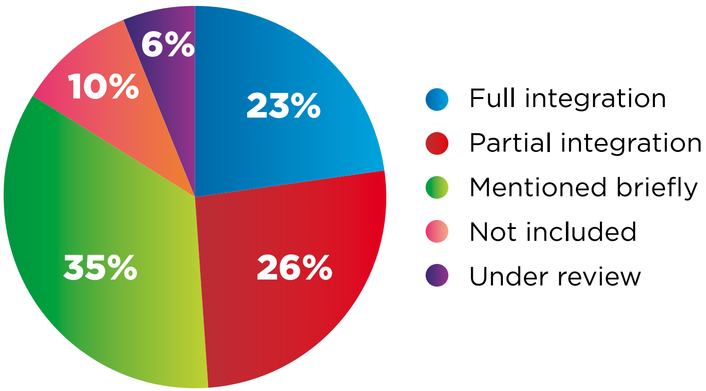
ESG

FROM NICE-TO-HAVE TO MUST-HAVE

With a growing emphasis on ESG factors in M&A transactions, we observe an imperative shift from ESG being perceived as a mechanism to reduce risk to an essential driver of value-creation. Academic research confirms the importance of sustainability considerations in deal-making, with ESG factors often demonstrating a positive correlation with financial performance.[3]

The increasing prominence of ESG in corporate strategies is becoming evident, with a significant 84% of financial investors now incorporating ESG criteria into their investment policies. This marks a substantial increase from the 38% reported in our 2022 edition of the Monitor. While our findings underscore a remarkable surge in ESG integration, 35% of the respondents indicated that ESG factors are only briefly mentioned in their investment policy. This suggests a growing momentum towards further adoption of ESG in investment policies in the near future, despite ongoing challenges associated with greenwashing and the use of inconsistent and incomplete data.

ESG CONSIDERATIONS IN INVESTMENT POLICY OF FINANCIAL BUYERS



3 *Deng, X., Kang, J. K., & Low, B. S. (2013). Corporate social responsibility and stakeholder value maximization: Evidence from mergers. Journal of Financial Economics, 110(1), 87-109.*

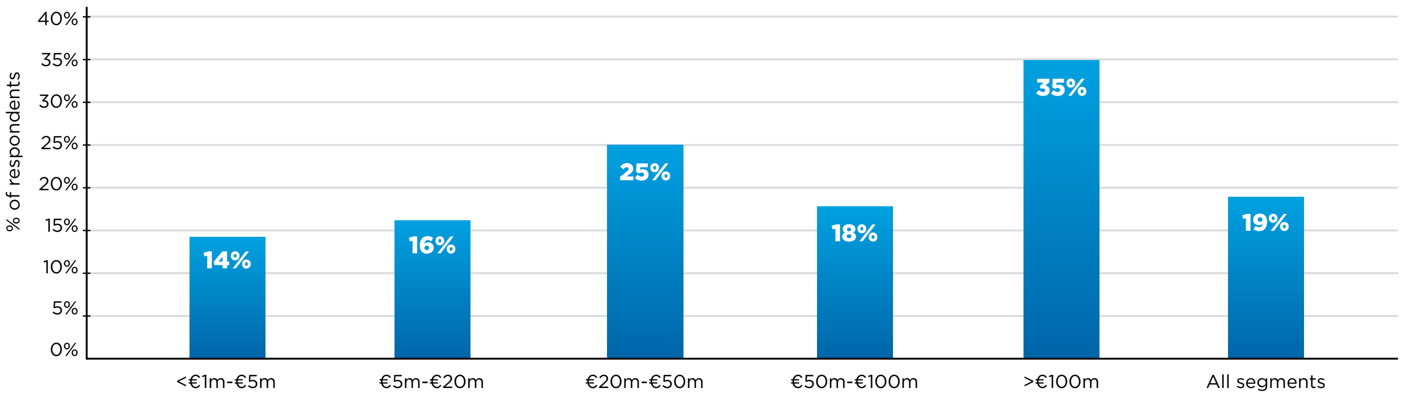
As M&A experts proactively strive to implement ESG considerations, differences across the stages of the M&A cycle become apparent. We asked the survey respondents to rank the stages of the M&A lifecycle based upon importance with respect to ESG. Our findings clearly highlight the relevance of ESG elements during the initial stages of the M&A cycle – namely, acquisition strategy development and the screening and identification of targets. However, there appears to be less adaptation of ESG criteria in post-merger integration and the contract drafting processes. So, while there is a broad consensus on the significance of ESG in M&A deal-making, there are many opportunities to focus more on how to implement and integrate ESG factors following the merger.

IMPORTANCE OF ESG IN THE DIFFERENT STAGES OF THE M&A LIFECYCLE (RANKING)

1. Acquisition strategy development
2. Target screening and identification
3. Due diligence
4. Valuation
5. Post-merger integration
6. Contract drafting

As ESG factors take a more prominent position in M&A transactions, thorough due diligence becomes even more crucial and should go beyond the typical checkbox approach. Our survey shows that a formal ESG due diligence was executed in an average of approximately 19% of deals, with firms executing larger deals showing a greater tendency to integrate ESG into their due diligence efforts.

% DEALS WITH ESG DUE DILIGENCE



The rise of ESG considerations remained a prominent trend shaping Belgian M&A practices throughout 2023. Belgian firms are increasingly prioritising sustainability and ethical practices in response to growing investor and consumer demands for responsible business conduct.

In line with the current global movement towards sustainable investment, ESG criteria are rising in importance to investors when evaluating potential M&A targets and conducting due diligence – and this shift is gradually extending into the contract drafting stage of deal-making.

Luc Wynant, Van Olmen & Wynant, Partner

ESG determines whether a company is future-proof in our evolving society. It is therefore one of the first parameters that buyers consider when screening potential targets.

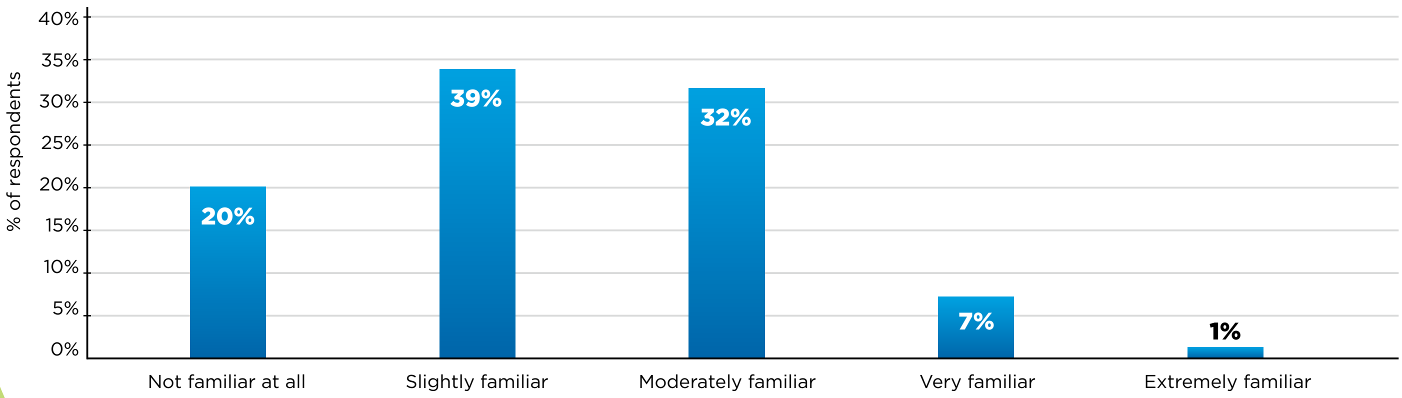
Dominic Dhaene,
Bank Van Breda, M&A Expert

DATA ANALYTICS

In recent years, data analytics and AI technologies have sparked widespread interest and discussion in the constantly evolving business landscape. Therefore, in this year's edition of the Monitor, we devote a separate section to the use of data analytics and AI technologies in M&A in Belgium. Our focus is on delineating the stages of the M&A lifecycle in which data analytics and AI technologies hold the greatest relevance. Additionally, we aim to uncover the benefits of employing data analytics from both the buyer's and the seller's perspectives, while also delving into the various challenges encountered during the implementation of data analytics.

We first assess how familiar the surveyed M&A experts are with data analytics/AI technologies. 80% of the respondents express some degree of familiarity with using data analytics in M&A, but the overwhelming majority of them demonstrate only a modest level of proficiency.

FAMILIARITY OF RESPONDENTS WITH USING DATA ANALYTICS IN M&A



UNLOCKING OPPORTUNITIES: DATA ANALYTICS FOR TARGET SCREENING & IDENTIFICATION

We asked the survey respondents to rank the different stages of the M&A process according to the importance of data analytics and AI technologies. The results reveal that data analytics are predominantly utilized in the initial stages. In fact, the target screening and identification phase emerged as the paramount stage in which data analytics are deemed most crucial. Utilizing data analytics, acquirers can gain insights into industry trends, scrutinize the financials of target companies, and identify potential synergies to pinpoint suitable targets. Subsequently, data analytics play a pivotal role in the due diligence process, enabling thorough examination and validation of critical information. In the third and fourth positions, data analytics contribute to valuation and acquisition strategy development, aiding informed decision-making. However, our findings indicate that data analytics are perceived to have a lower relevance in the contract drafting and post-merger integration phases.

USE OF DATA ANALYTICS IN THE DIFFERENT STAGES OF THE M&A LIFECYCLE (RANKING)

1. Target screening and identification
2. Due diligence
3. Valuation
4. Acquisition strategy development
5. Contract drafting
6. Post-merger integration

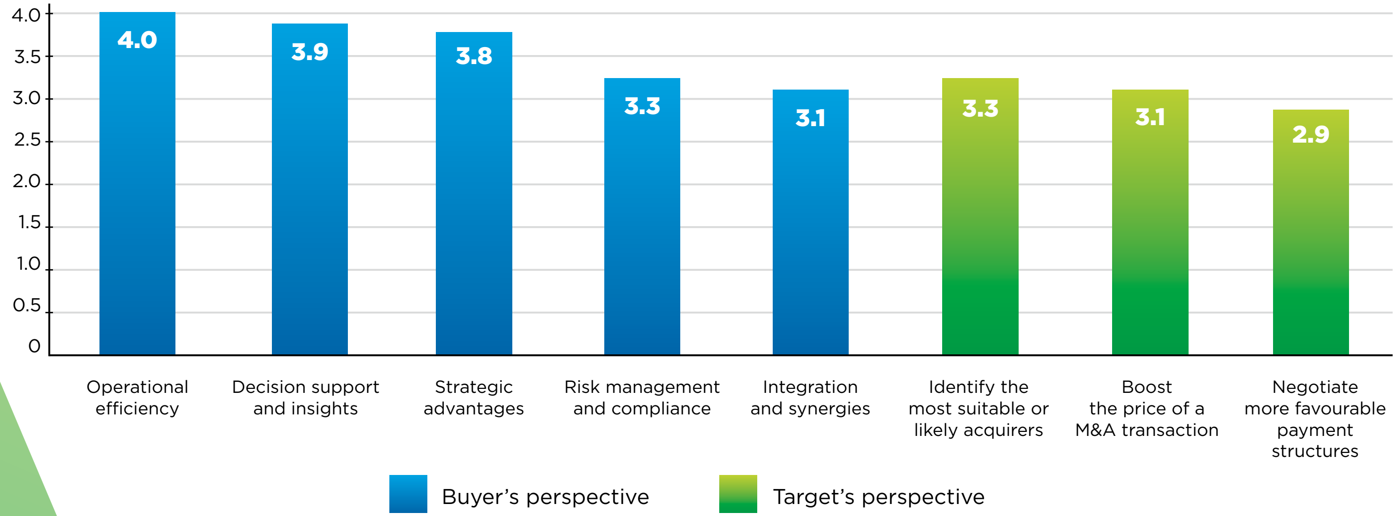
ASSESSING DATA ANALYTICS IN M&A: BUYER VS SELLER PERSPECTIVES

Going into greater detail, we asked the participants to evaluate the advantages of utilizing data analytics in M&A, gauging perspectives from both buyers and sellers on a 5-point scale, ranging from 1 (not beneficial) to 5 (very beneficial).

For buyers, data analytics demonstrate significant benefits in operational efficiency (including time-savings, cost reduction, and enhanced accuracy), in providing decision support and insights (such as visualizing trends, identifying anomalies, and optimizing talent management and acquisition), and bringing strategic advantages (gaining a competitive edge and reducing information asymmetry). However, areas like risk management and compliance (including risk assessment and regulatory adherence), as well as integration and synergies (cultural alignment and post-merger integration planning), appear to be less prominent.

On the seller's side, data analytics aid in identifying suitable or likely acquirers. Additionally, they seem to help somewhat in negotiating more favourable prices (i.e., higher multiples) and payment structures (i.e., leveraging increased data availability to potentially reduce the need for contingent payment structures). Upon comparison, data analytics appear to offer greater benefits to buyers than to sellers.

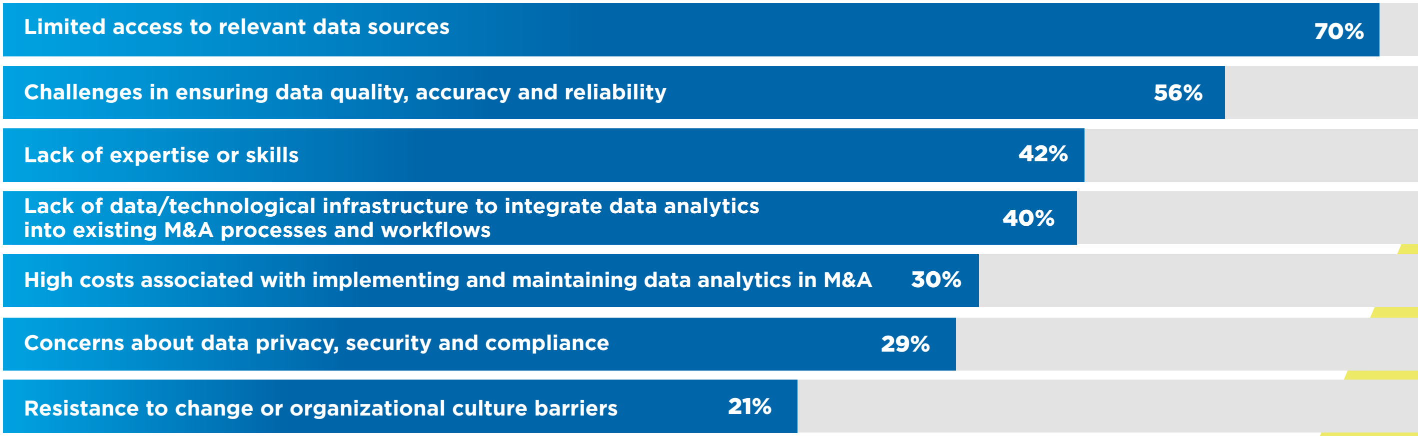
BENEFITS OF USING DATA ANALYTICS IN M&A



LIMITED ACCESS TO RELEVANT DATA SOURCES AS A SIGNIFICANT CHALLENGE

In our survey, respondents were tasked with identifying the top 3 challenges to leveraging data analytics for M&A. First of all, 70% of the respondents consider limited access to relevant data sources as one of the most important challenges. Secondly, over half of the participants cited data quality issues – such as inconsistencies, inaccuracies, or incompleteness – which can compromise the reliability of insights derived from data analytics. Thirdly, effective data analytics in M&A require specialized skills and expertise in areas such as data science, statistical analysis, and domain knowledge. 42% of the respondents estimate that a shortage of such expertise within organizations can hinder the successful implementation and utilization of data analytics tools and techniques in M&A.

CHALLENGES IN LEVERAGING DATA ANALYTICS FOR M&A



> In 2023, there was a noticeable shift towards cautiousness in the M&A landscape. This not only impacted the volume of transactions but it also influenced how these processes unfolded. Notably, there was an increased demand for up-to-date financial information, consequently elevating the requirement for professional assistance.

Alexi Vangerven, BDO, Partner

> While the full impact of data analytics on the Belgian market remains unclear, the potential for data-driven insights to transform various stages of an M&A transaction is undeniable. Advanced analytics and AI tools – employed by specialised personnel – can empower decision-makers, mitigate risks, and optimise strategies.

Luc Wynant, Van Olmen & Wynant, Partner

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BRUSSELS - GHENT - LEUVEN
VLERICK BUSINESS SCHOOL - THE BUSINESS SCHOOL OF GHENT UNIVERSITY AND KU LEUVEN
STICHTING VAN OPENBAAR NUT - PUBLIC UTILITY FOUNDATION - VAT BE 0424 244 049
HQ: REEP 1 - 9000 GHENT - BELGIUM - T + 32 9 210 97 11
INFO@VLERICK.COM - WWW.VLERICK.COM