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M&A

REVIEW | **Half-Year 2022**



 July 2022



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.01 Overview



Stephen Keogh
Head of Corporate/M&A

After two years of battling Covid-related headwinds, Ireland's economy appears, so far, to be weathering this and other storms. The European Commission is projecting growth of 5.4% in 2022, standing above the projected rate for the EU and the euro area, with both expected to grow by 2.7% over the same period.

This healthy growth is underpinned by strong private demand, prompted by the lifting of Covid measures, with private consumption set to grow at a rate of 5.7% this year. The unemployment rate in Ireland has also shown significant signs of improvement, standing at 4.8% in April 2022 – far below the 7.5% recorded the previous year.

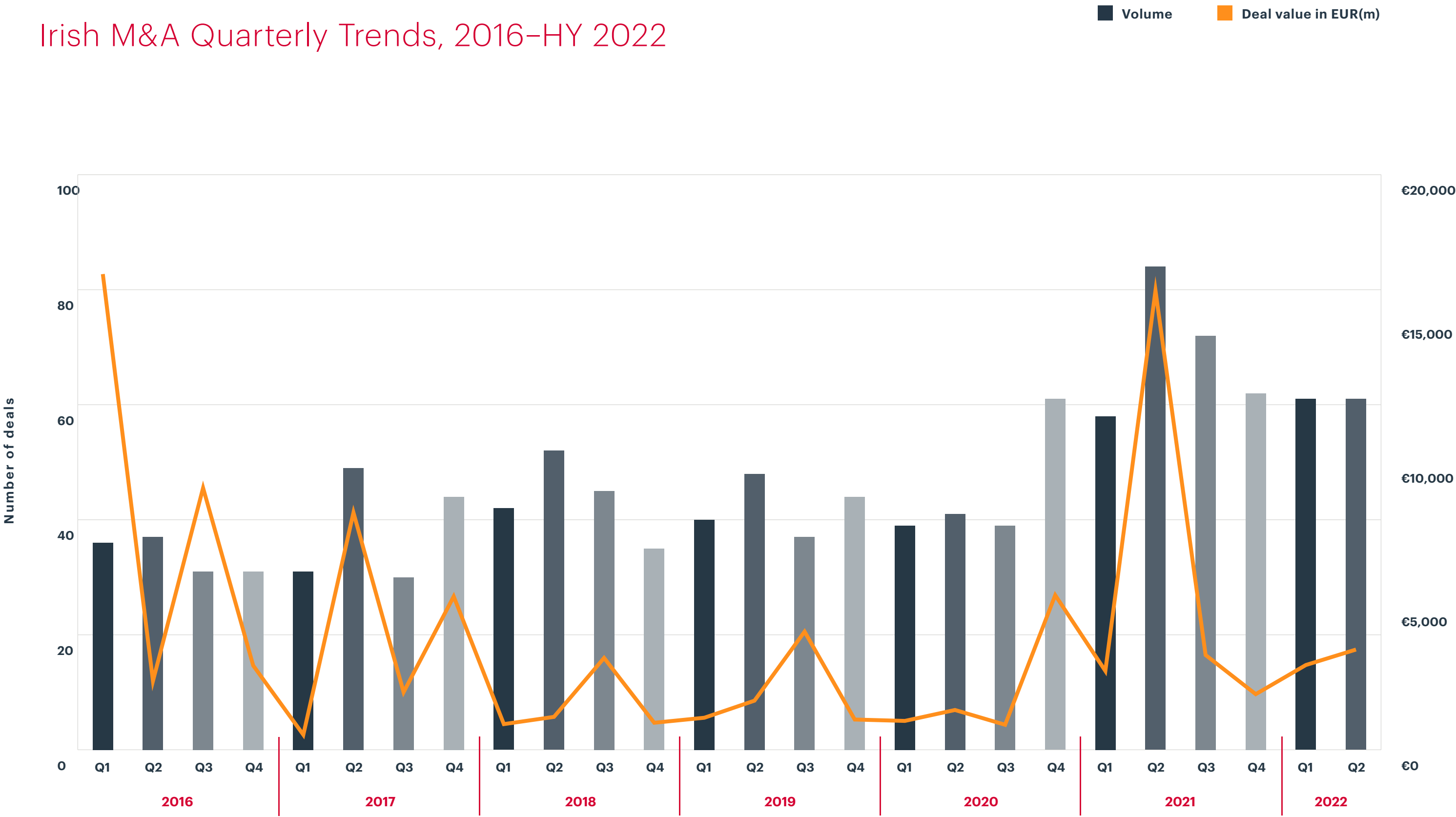
Russia's invasion of Ukraine, together with interest rate rises, has put a dampener on European growth, however, with rising energy costs and supply chain disruption prompting caution in the market. Amidst this disruption, private consumption in Ireland is predicted to grow at a more moderate 4.1% rate in 2023.

Irish dealmaking has fared surprisingly well against this backdrop. While there has inevitably been a cooling in the market compared to an extremely active 2021, M&A has returned to pre-pandemic levels of activity and, in the first half of the year at least, appetite for deals remained undiminished.

A total of 122 deals worth €6.4bn were announced in the first half of 2022. Although this represents a 14% decrease in volume compared to H1 2021 and a 66% decrease in value, it fares well compared to activity levels before the pandemic – there were 94 deals worth €2bn in H1 2018 and 88 deals worth €2.8bn in 2019. The top end of the market has continued to see healthy activity, with five deals worth €500m or more each announced in the first half of the year. The bread and butter of Irish M&A continues to be the middle market, however, with 84% of transactions with disclosed value falling into this price bracket (between €5m and €250m).

Private equity firms have remained active players in the Irish deal market, securing seven of the top 20 deals so far this year.

Irish M&A Quarterly Trends, 2016-HY 2022



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Key Trends in Irish M&A

M&A DEAL VOLUME

14%

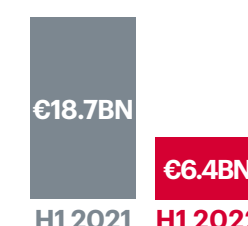
The number of transactions dropped by **14%** from **142 deals** in H1 2021 to **122** in the **first six months of 2022**. Average deal volumes in the first half of 2017, 2018 and 2019 was 87 deals.



M&A DEAL VALUE

66%

Total deal value came to **€6.4bn** in the **first half of 2022**. This was **66%** below the total for **H1 2021** – an outlier year. Excluding H1 2020 and H1 2021, the average deal value in H1 of the prior three years (2017, 2018 and 2019) was €4.5bn.



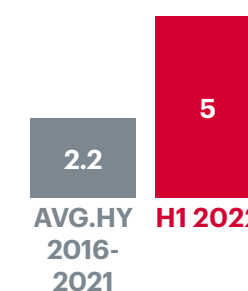
INBOUND DEALS

92^{DEALS} = €5.8^{BN}

There were 92 inbound deals in the first six months of 2022, worth a total of €5.8bn. This compares to **104 deals** worth **€14.2 billion** in the **first half of 2021**.

MEGADEALS

There were **five deals** worth **€500m or more** in H1 2022. This was well above the half-yearly average since 2016.



.03 Deal Focus



Myra Garrett
Partner, Corporate

While Irish M&A may have cooled off the back of a record 2021, certain key areas of the market remained active in the first half of the year. The first of these is strong activity within the mid-market segment (€5m–€250m), historically the mainstay of the Irish M&A market, which accounted for 84% of deals with a disclosed valued in the first half of 2022.

Activity at the top end of the market has also remained robust. There were five deals valued above €500m announced so far in 2022, worth a combined €4.6bn. While down from a record H1 2021 – where eight deals within this price range came to a combined €16.2bn – the number of deals in this price bracket in just the first six months of 2022 is still higher than in any year between 2016 and 2020.

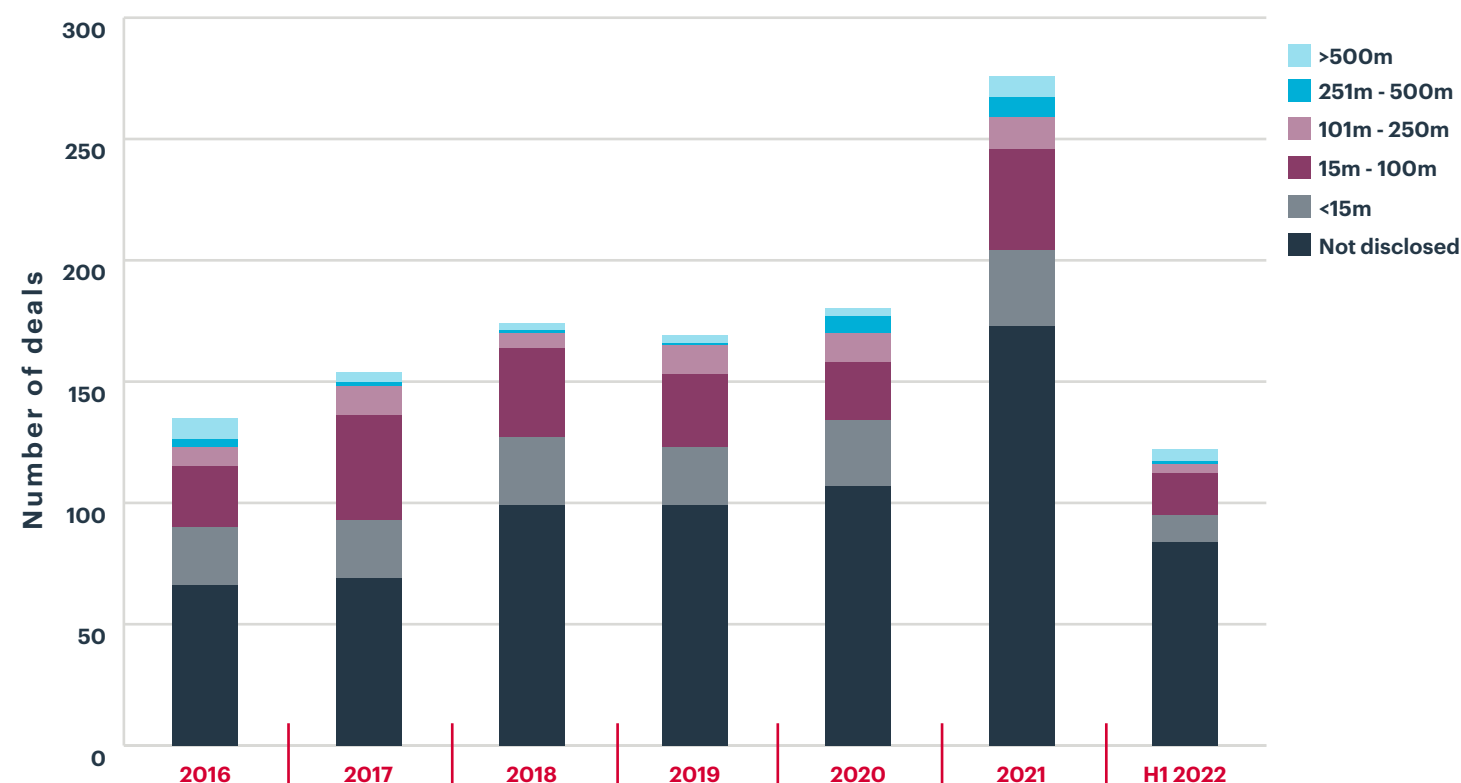
The largest deal of the year so far was SMBC Aviation Capital’s acquisition of aircraft leasing rival Goshawk Management, valued at €1.5bn. The deal between the two privately held, Dublin-based, lessors will create a €36bn aviation finance business. It takes place within a phase of rapid consolidation within Ireland’s aircraft leasing industry, following Irish-based lessor AerCap’s landmark acquisition of US leasing giant GECAS last year.

Aircraft lessors have weathered the disruptions caused by the pandemic better than other players in the aviation industry, with aircraft owned by lessors now accounting for 60–65% of the world’s supply, up from 40–45% pre-Covid. Aircraft targets are in high demand as firms race to gain scale and prepare for a rapid bounce back post-Covid, although the industry has struggled with the effects of sanctions imposed on Russia. Irish firms, in particular, own about US\$4bn worth of planes leased to Russian airlines which they may not be able to recover.

The financial services and the technology, media and telecoms (TMT) sectors were dominant in terms of deal value. Reflecting their influence in the Irish M&A marketplace, half of the top 20 deals announced in H1 targeted firms either in the TMT or financial services sector.

Overseas private equity firms were particularly active in the technology sector, as seen in Swiss PE firm Partner Group’s buyout of Version 1 Holdings from Volpi Capital. The €800m purchase of the Irish digital transformation services provider was the largest to take place in the Irish tech sector in H1.

Irish M&A Split by Deal Size



.04 Sector Watch

The financial services sector was the dominant sector in Irish dealmaking, taking up **32%** of total Irish M&A in the first six months of the year.



Elaine Morrissey
Partner, Corporate

Financial services was the dominant sector in Irish dealmaking, accounting for 32% of total Irish M&A deal value in the first six months of the year. Activity within the aviation finance sector was bolstered by the largest deal of H1 overall – SMBC Aviation Capital's €1.5bn acquisition of aircraft leasing rival Goshawk Management. In total, financial services generated €2.1bn-worth of deals in H1.

Another major deal in the financial sector this year was Allied Irish Bank's (AIB) acquisition of Ulster Bank Ireland's mortgage portfolio. The transaction sees AIB take control of a portfolio of mortgages worth €5.7bn, which, according to Mergermarket, has an estimated equity value of approximately €432m.

Consolidation within the insurance sector – specifically insurance brokerages – continues to be a major trend driving financial services dealmaking. In the largest such deal of H1, US-based insurance broker AssuredPartners acquired Gallivan Murphy Insurance Brokers for the sum of €100m. With fragmentation still widespread across the market, consolidation shows little sign of slowing down.

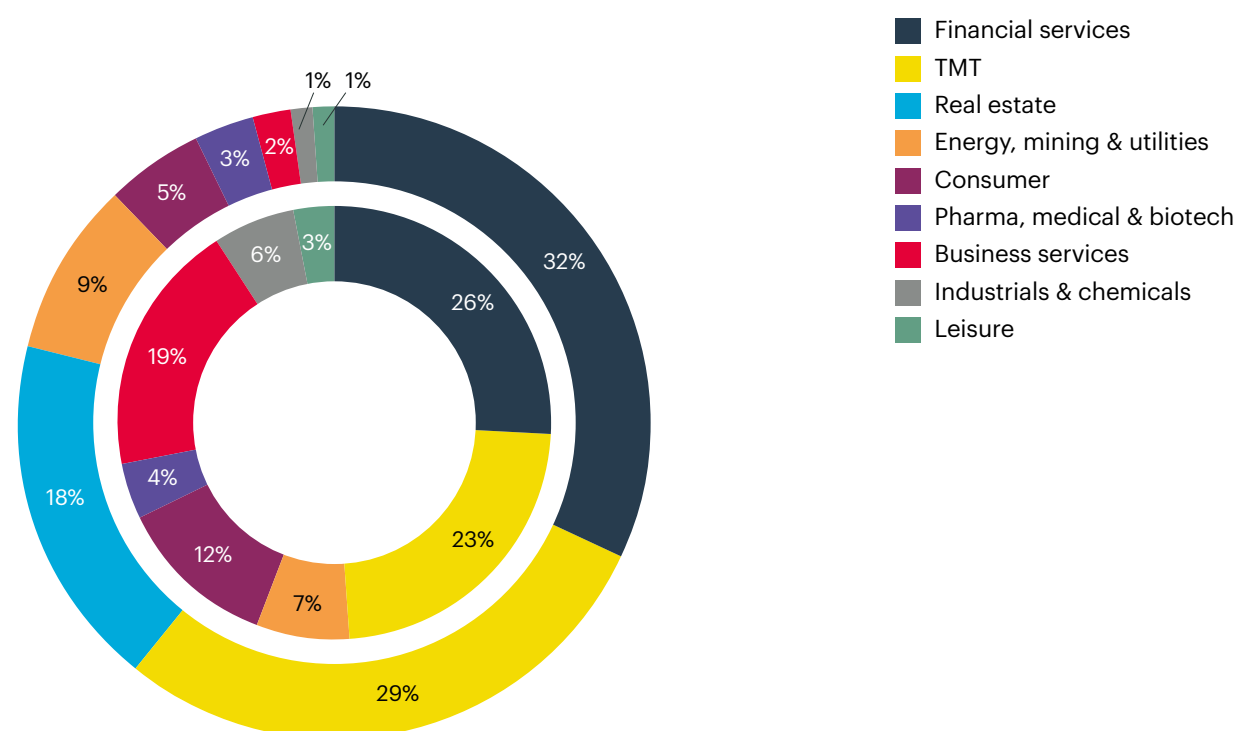
TMT also continued to be a dominant sector in the Irish dealmaking scene in terms of deal value, taking up 29% of total Irish M&A deal value in the first six months of the year. The sector dominated the top end of the market, accounting for six of the 20 largest transactions during this period. Total deal value, however, failed to reach 2021 levels, with a half-yearly deal value of €1.9bn, down 57% year-on-year.

The largest TMT deal of H1 was the €800m acquisition of IT consultancy firm Version 1 Holdings by Swiss private equity firm Partners Group. Version 1 has enjoyed significant growth under its ownership by UK-based PE firm Volpi Capital, reportedly tripling in size since it was bought in 2017. IT services providers are continuing to see rapid growth as businesses seek to implement their digital transformation strategies and shift to cloud services.

Another significant TMT deal which shows the value of home-grown fintech providers is US banking giant JP Morgan's €665m acquisition of Global Shares, a cloud-based provider of share plan management software. The purchase, which aims to create a new client acquisition channel for JP Morgan's wealth management business, is one of the largest exits of an Irish fintech on record.

Irish M&A value by sector H1 2021 vs H1 2022

Inner circle: H1 2021
Outer circle: H1 2022



Tech valuations reached very high levels in 2021 and the beginning of 2022, as displayed in the US\$1.25bn funding round for Flipdish, a technology provider to restaurants. However, the recent global decline in tech stocks in the public markets will likely have an impact on private company valuations.

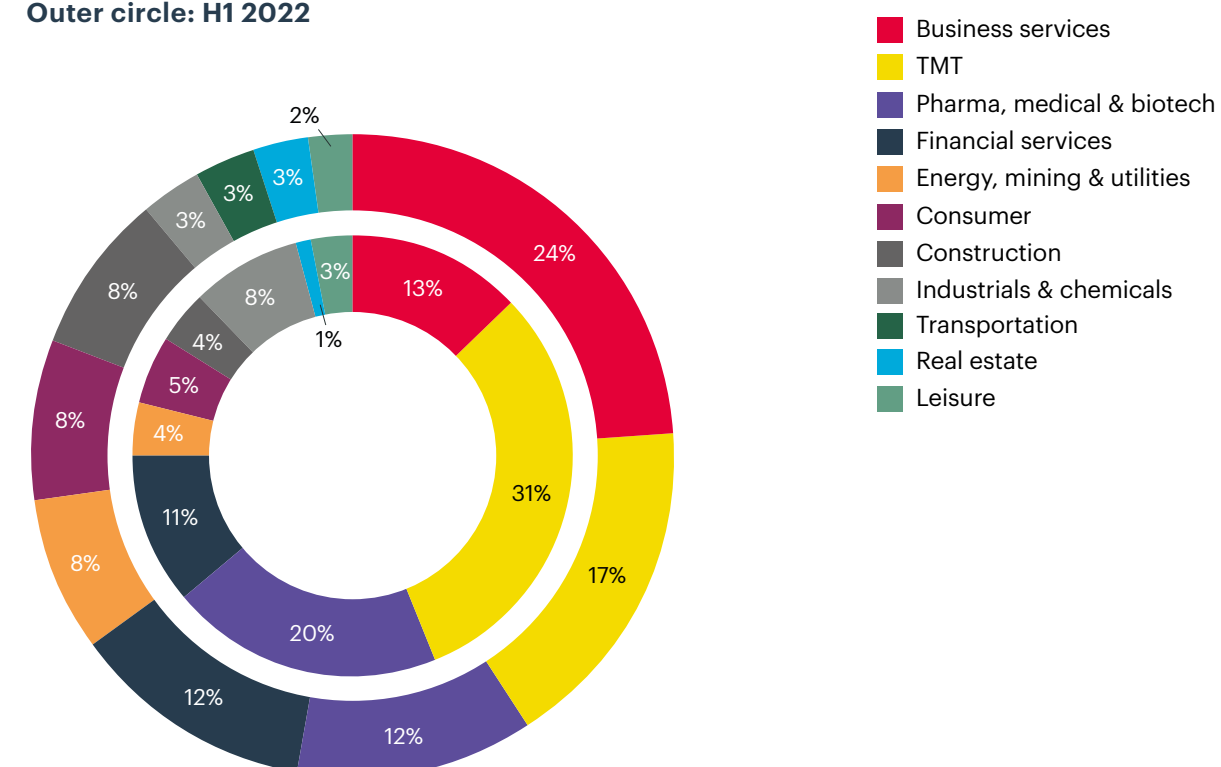
Dealmaking within the renewables sector has become an emerging trend to watch. Driven by the global pressure to reduce carbon emissions, businesses across a wide range of

sectors are using M&A as a tool to prove their green credentials.

This trend is generating a healthy amount of activity within the energy, mining and utilities sector, which saw its share in total Irish M&A volume rise to 8% of all deals in the first half of 2022, up from 4% in 2021. The largest transaction of H1 was the €575m investment in solar and wind power plant Mainstream Renewable Power by Japan-based conglomerate Mitsui & Co. According to Mainstream, the deal will

Irish M&A volume by sector H1 2021 vs H1 2022

Inner circle: H1 2021
Outer circle: H1 2022



accelerate its transition to become a global renewable energy leader.

The Irish government has committed to increasing the share of renewables electricity to 80% by 2030. More deals can be expected as investors look to gain a slice of this high-growth market, while energy firms will seek to boost their renewables capacity through acquisitions.

The energy, mining and utilities sector, saw its share in total Irish M&A **volume** rise to **8%** of all deals in the first half of 2022, up from 4% in 2021.

.05 Inbound Activity

A total of **92 inbound transactions** valued at **€5.8bn** represented a **12% decrease** in volume year-on-year, and a **59% decrease** in value.



Paul White
Partner, Corporate

Inbound activity continued to be a prominent feature of Irish dealmaking in H1 2022, with all but one of the top 10 deals of the year conducted by overseas acquirers. Despite this dominance by overseas acquirers at the top end of the market, activity slowed year-on-year in line with general global trends. A total of 92 inbound transactions valued at €5.8bn represented a 12% decrease in volume year-on-year, and a 59% decrease in value compared to H1 2021.

Yet, while down from 2021's record-breaking activity, inbound deal activity stood well above the H1 deal value recorded in each of 2020, 2019 and 2018. This consistent activity is largely due to Ireland's reputation as a stable centre for investment, with its competitive tax rate, use of the English language, access to EU markets, highly educated workforce and open regulatory environment continuing to draw in overseas interest.

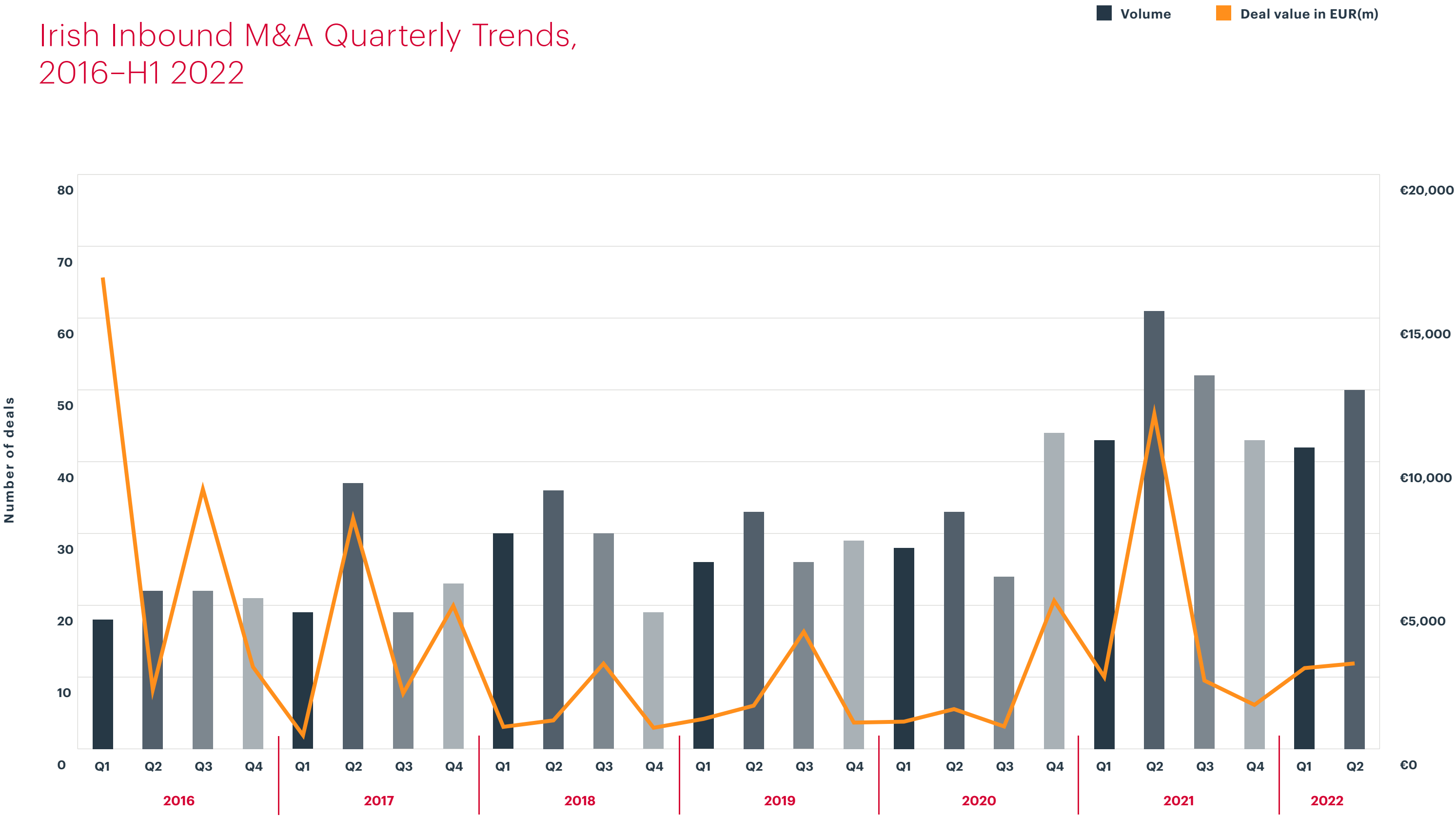
UK-based bidders were the most active acquirers of Irish assets, responsible for 33 deals over the first half of the year, worth a combined value of €276m. The largest such deal was online greetings card company Moonpig's €146m takeover of gift experience platform Smartbox Group.

Japan-based buyers, meanwhile, spent the largest amount on Irish assets during the first half of the year – a total of €2.1bn. This included the highest valued deal of the year: SMBC Aviation Capital's acquisition of aircraft leasing rival Goshawk Management.

In a recent EY survey, Dublin was chosen by 17% of respondents as the most attractive European city for foreign investors over the next three years, placing the capital fourth on the league table of the most attractive European cities for investment. Furthermore, Ireland was ranked as the third most competitive country in the eurozone area by the IMD World Competitiveness Rankings.

Ireland's impressive track record for global inward investment looks set to remain on course, as multinationals continue to display a commitment to housing their operations within Ireland. Changes to corporate tax laws could see Ireland attracting even more deals, as overseas bidders take advantage of its favourable tax rate. While Ireland has recently joined the OECD-led global consensus in agreeing to raise its corporate tax rate from 12.5% to 15% for large multinational enterprises, this figure is still significantly lower than the global average. In the US, President Joe Biden's 2023 federal budget includes a proposal to raise the corporate tax rate from 21% to 28%, while several EU member states are also taking steps to increase their corporate tax rates, further evidencing the currently dynamic status of corporate tax rates on the world stage.

Irish Inbound M&A Quarterly Trends,
2016-H1 2022



.06 Private Equity

A total of **28** PE transactions were announced in the first half of the year.



Liam Arthur
Partner, Corporate

Private equity activity continues to be a significant and growing feature of the Irish M&A landscape. In line with overall M&A, private equity activity in the first half of 2022 failed to maintain the exceptional momentum achieved in 2021, witnessing a return to pre-pandemic trends. Deal value decreased by 71% year-on-year to €2.9bn, although this was against a particularly strong H1 2021. This figure, however, still stands above the H1 deal values posted in 2020, 2019 and 2018.

The number of transactions, meanwhile, fell from 41 to 28 PE transactions over the same period. Again, although this represents a drop compared to H1 2021, an outstanding period for dealmaking, the number of deals announced in the first six months of this year is still above the half-yearly average since 2016.

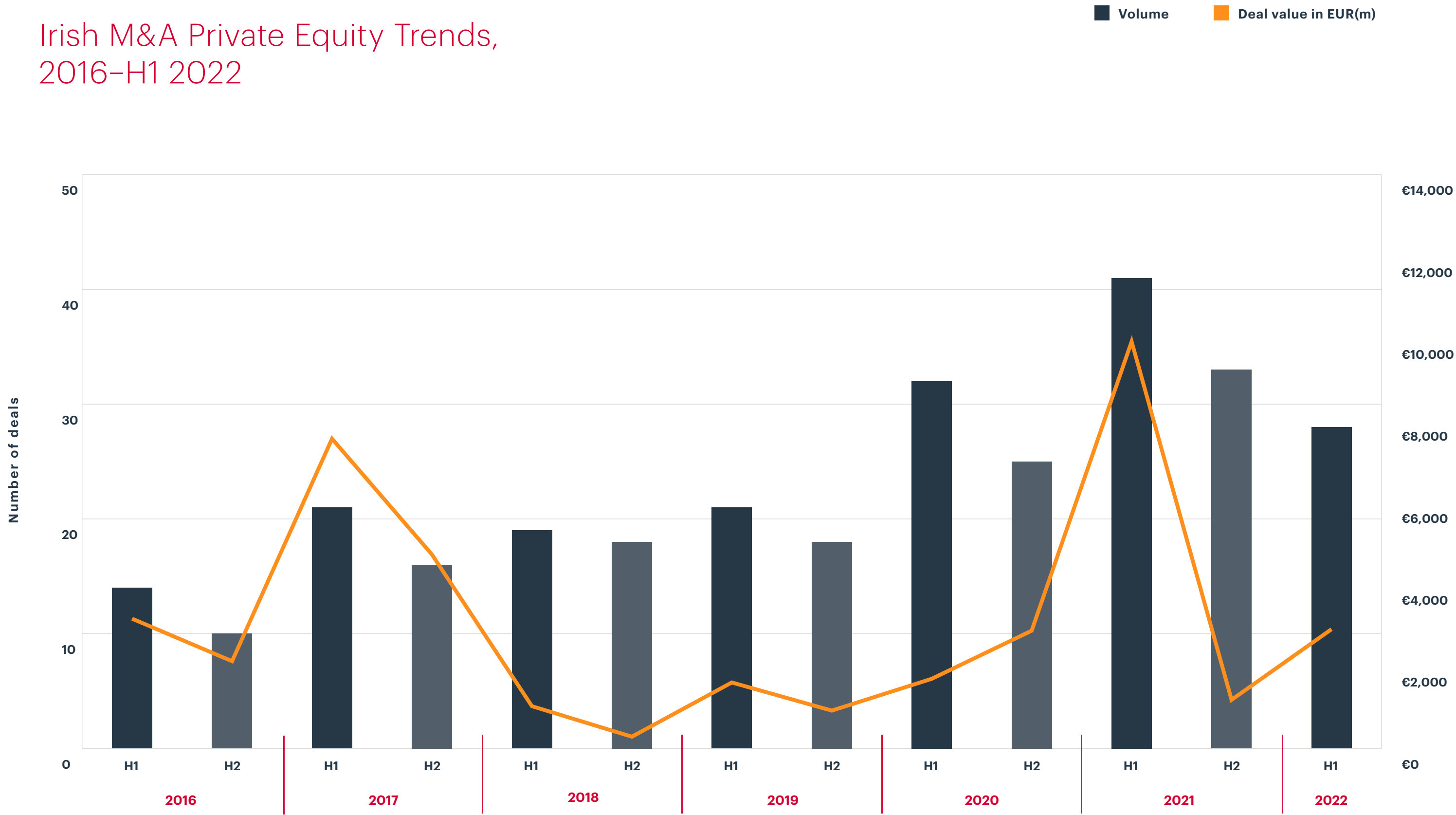
Reflecting the dominance of PE players in the top end of the market, seven of the 20 largest deals of the first half of the year were PE-related. The largest of these deals was Brookfield Asset Management's €1.1bn acquisition of Hibernia REIT.

The first half of the year also saw some significant exit transactions, including Motive Partners' sale of Global Shares, a provider of equity administration services, to JP Morgan for the sum of €665m.

High-growth local start-ups continue to attract attention from international PE buyers, as seen in JP Morgan and Madrone Capital Partners' participation in the €133m investment in Irish tech unicorn Wayflyer. Wayflyer, which provides e-commerce companies with a range of financing and marketing analytics tools to help them grow their business, has since secured a further €300m in debt financing from JP Morgan.

Despite a more challenging financing environment, record levels of dry powder still provide global PE houses with a strong rationale to deploy cash. This means that there are some grounds for optimism that PE will continue to be an important feature of the Irish M&A landscape throughout the remainder of the year. High-growth sectors such as e-commerce, fintech, waste management and insurance look best placed to be active over the next six to twelve months.

Irish M&A Private Equity Trends,
2016-H1 2022



.07 Outlook



Stephen Keogh
Head of Corporate/M&A

Looking ahead to the second half of 2022, considerable headwinds remain. Aside from increasing geopolitical concerns, which could make dealmakers more risk-averse when entering new markets, the tightening financing environment also poses a concern for dealmakers. Rising interest rates are likely to see foreign buyers, a mainstay of Irish M&A, becoming less acquisitive due to the increased cost of capital.

Furthermore, the escalating dispute over the post-Brexit trading arrangements poses real concerns for Ireland's economic stability, with the possibility of a trade war between the UK and the EU appearing to increase.

Yet, despite these unique challenges, appetite for Irish assets remains strong – as seen in the flurry of deals announced within the high-growth e-commerce, fintech, aviation, renewables and insurance sectors. Ireland's macroeconomic outlook, skilled workforce, favourable corporate tax rate and wealth of home-grown talent will continue to make it an attractive place to invest, despite macroeconomic and geopolitical headwinds.

With the EC forecasting higher GDP growth for Ireland than for the EU region overall, Ireland will continue to attract considerable interest from investors abroad, particularly in the US and UK, as they look to gain a foothold in the wider EU market.

Irish M&A has proven itself to be extremely resilient over the past few years, seen through the impressive levels of deal activity throughout the global pandemic. While there are a number of negative political and economic factors to contend with, there is reason to hope that Irish M&A will continue to prove itself to be relatively robust throughout the second half of 2022.

ABOUT WILLIAM FRY

As one of Ireland's largest law firms, William Fry LLP ("William Fry") offers unrivalled legal and tax expertise across the full breadth of the business sector. M&A is core to our practice at William Fry. Our team has top-tier credentials, a wealth of experience and an impressive depth of expertise. We are consistently involved in the most sophisticated and complex corporate transactions in Ireland, including large cross-border deals. We focus on identifying and delivering on our clients' priorities.

With a staff of over 460, the Firm operates a large international practice with offices in Dublin, Cork, London, New York and San Francisco, and regularly acts in cases involving other jurisdictions, including the United Kingdom, the United States, Asia, the Netherlands, Germany, France, Spain, Italy, Poland and Eastern Europe.

Recent awards include:

Finance Dublin Deals of the Year 2022 –

- M&A, Public Equity – CD&R Acquisition of UDG Healthcare plc
- Private Equity – Bain Capital LP acquisition of Valeo Foods
- Debt Capital Markets – Green Bond (High Yield): Ardagh Metal Packaging
- Green Bond (Investment Grade): Smurfit Kappa
- Development Financing Package: SIRO joint venture between Vodafone & ESB – Loans and Financing
- Mid-Market: Michael Dixon International Transport Ltd
- Fintech – Financial Services
- Domestic Capital Markets – Davy Group Disposal
- Financial Services: Aviation Finance – Aviation Finance Restructuring: Norwegian Air Irish Examinership

Recent rankings include:

- We are one of only two Irish law firms who have been ranked in the top 3 for Irish M&A activity annually by deal volume since 2015 (Mergermarket).
- Consistently ranked as a top law firm for Corporate/M&A work by leading M&A league table houses including Mergermarket, Refinitiv, Bloomberg, Experion.
- Consistently ranked in the top tier/band by leading international legal directories Chambers Global/Europe, Legal 500 EMEA and IFLR1000.

Recent directory commentary includes:

- "Experience. Longevity of partners and relationship with us as a client. Have taken the time over the years to ask questions about our core business and business strategy to suggest and proactively advise rather than respond and paper instructions. Working to defined financial parameters and managing the client early on potential overruns or delays. In short, we see the team at Frys as an extension of our team rather than external advisors." *Legal 500 EMEA, 2022*
- "They are pragmatic, practical and solutions-driven. I thought they were excellent." *Legal 500 EMEA, 2022*
- "We have worked with them for a long time and we are absolutely happy. I work with two other firms but William Fry's level of service and value for money is better. In my view, they are top class. Everything in a legal firm is getting the right people. We are dealing with the crème de la crème." *Chambers Global, 2022*
- "William Fry would be the go-to firm." *Chambers Global, 2022*
- "An experienced team of lawyers providing clear, actionable advice backed up with great depth of knowledge." *IFLR1000, 31st Edition (2021)*
- "William Fry has been exemplary in its work. It has assigned experts to what has been a very technically demanding assignment. A very responsive and professional approach has been adopted consistently." *IFLR1000, 31st Edition (2021)*

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