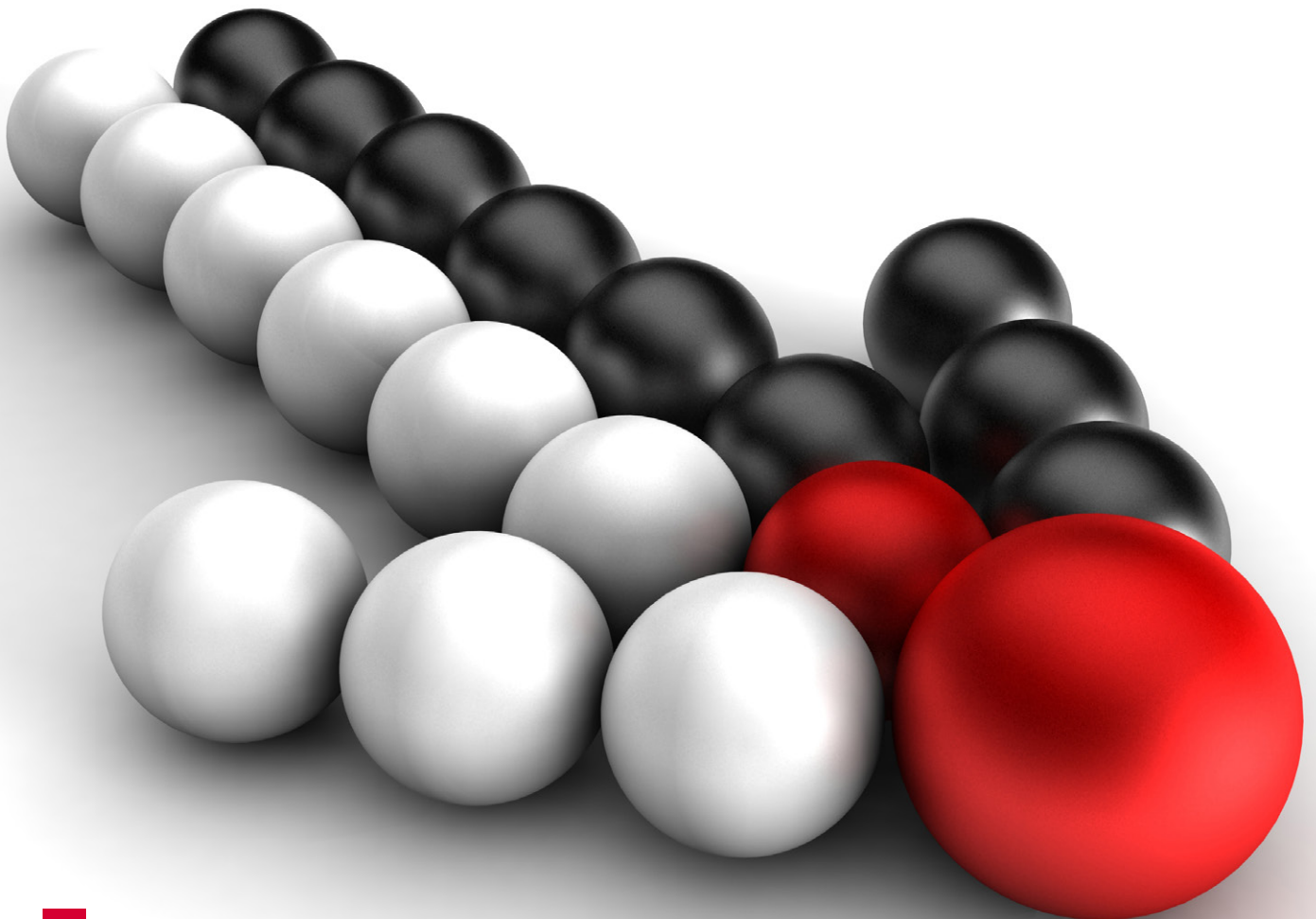




M&A

REVIEW | 2021



February 2022

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.01 Overview



Stephen Keogh
Head of Corporate/M&A

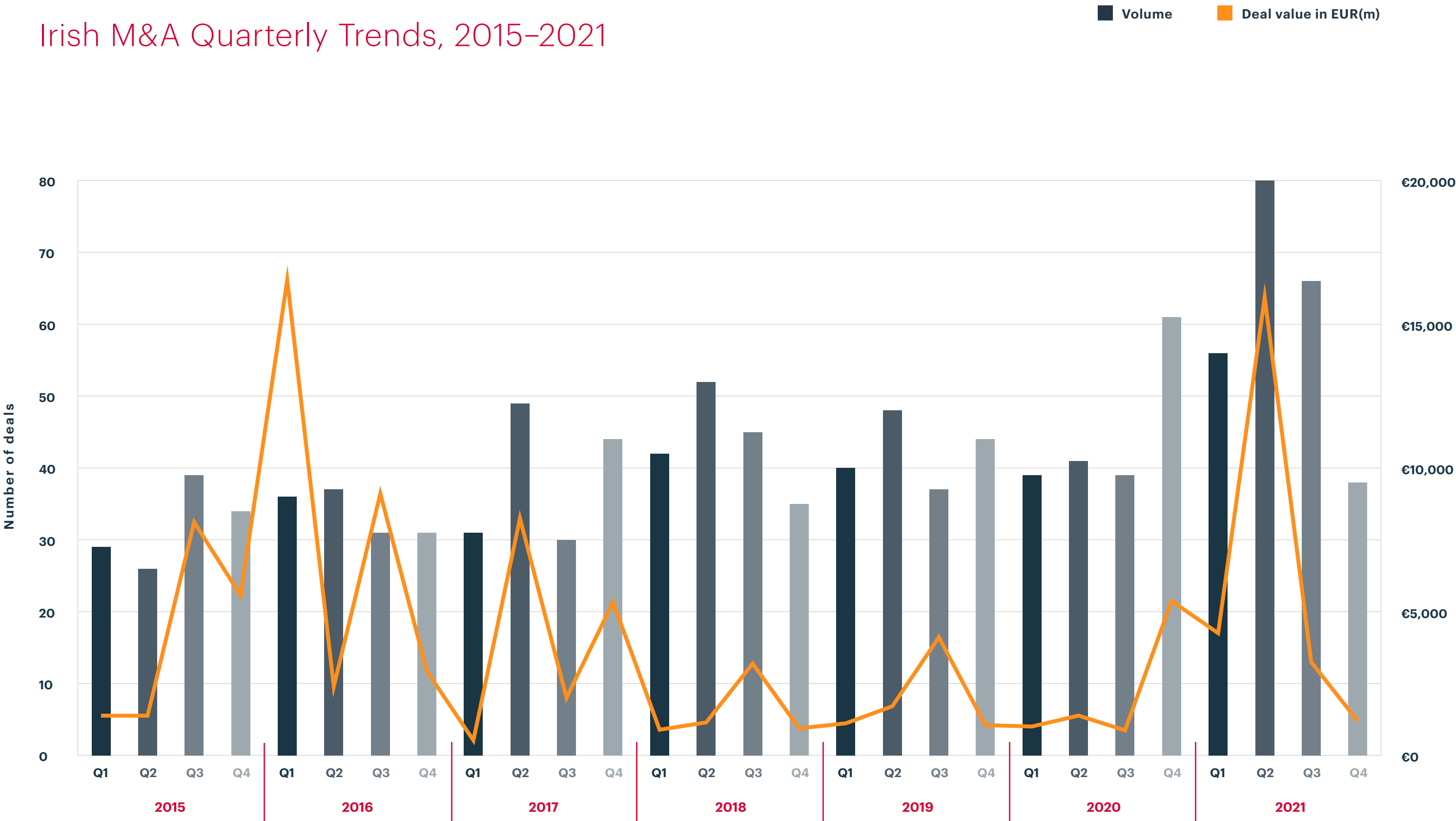
Ireland's economy bounced back remarkably strongly in 2021 from the Covid-19 disruption of the previous year. The European Commission estimates that Irish GDP grew by 14.6% over 2021, making Ireland the best-performing economy in the European Union by some distance. Although the EC expects growth to moderate to 5.1% in 2022, this is still comfortably ahead of the 4.3% it anticipates across the EU as a whole.

Ireland's resurgence reflects both booming exports as the global economy rebounded from the significant number of multinational companies that have chosen to locate in the country, and a very strong performance from the domestic economy, with consumer spending sharply up compared with 2020.

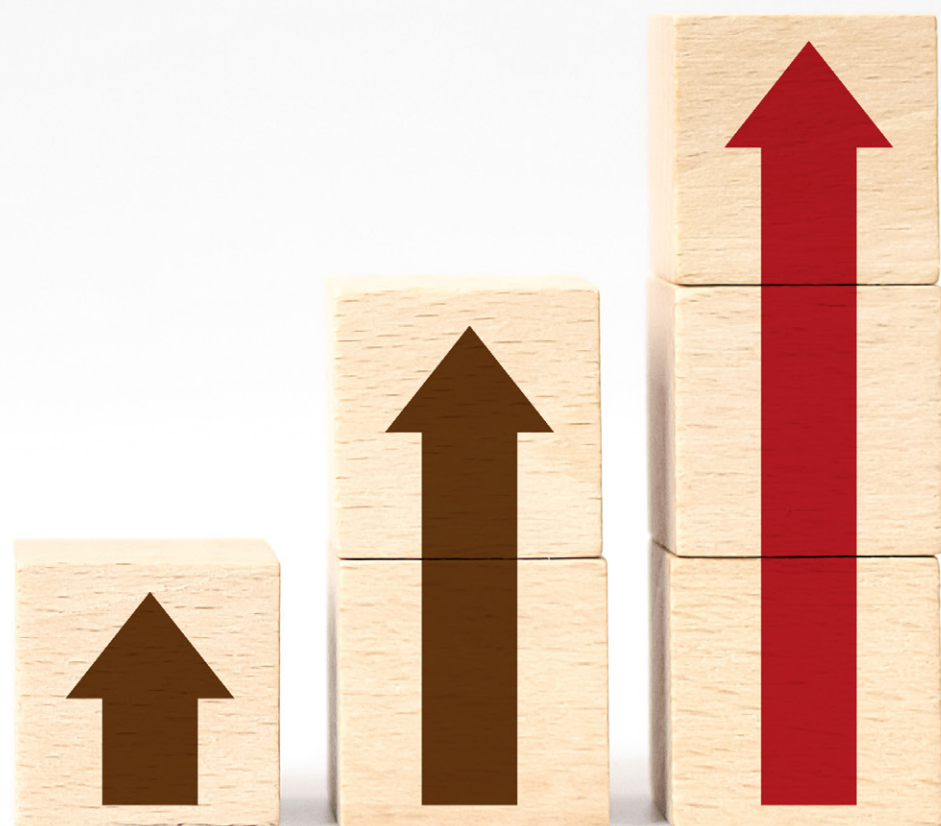
Moreover, Ireland's businesses were well-placed to capitalise on recovery following good progress on vaccinating the population against Covid-19. By mid-December, 76.8% of Ireland's citizens had received two vaccinations, compared with only 67.3% across the whole of the EU.

Against this backdrop, the Irish M&A market recorded a busy year, building on the recovery that began in the fourth quarter of 2020 following the lull prompted by the outbreak of the Covid-19 crisis. Over the whole of 2021, Ireland saw 240 significant transactions, a 33% rise on the previous year and the highest deal volume on Mergermarket record (since 2006). Total M&A value also recovered significantly, rising by 185% to €24.6bn.

Irish M&A Quarterly Trends, 2015-2021



.02 Key trends in Irish M&A



M&A DEAL VOLUME

33%

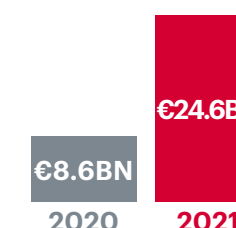
The number of transactions increased by **33% YoY**, to a total of **240 transactions**, the highest on Mergermarket record.



M&A DEAL VALUE

185%

Total value of M&A activity in Ireland came to **€24.6bn**, a **185% increase YoY**.



INBOUND DEALS

172^{DEALS} = €19.2^{BN}

There were **172 inbound cross-border transactions** in 2021, worth a total of **€19.2bn**.

MEGADEALS

There were **10 deals each worth €500m or more in 2021**, more than triple the total number of transactions at that value in the whole of 2020.



.03 Deal Focus



Barbara Kenny
Partner, Corporate

As in previous years, Ireland's mid-market was the most active area of the M&A landscape for dealmaking in 2021: 81% of all deals with a disclosed value recorded over the year were between €5m and €250m. The strength of the domestic economic rebound supported interest in these businesses, and that now looks set to continue into 2022.

Nevertheless, as the notable increase in aggregate deal values suggests, Ireland also saw an unusually high number of larger transactions last year, led by Allied Irish Bank's €4.1bn acquisition of Ulster Bank Ireland's commercial loan book. Indeed, there were 10 deals valued at more than €500m over 2021 – collectively worth €18.1bn – compared with only three such transactions in 2020.

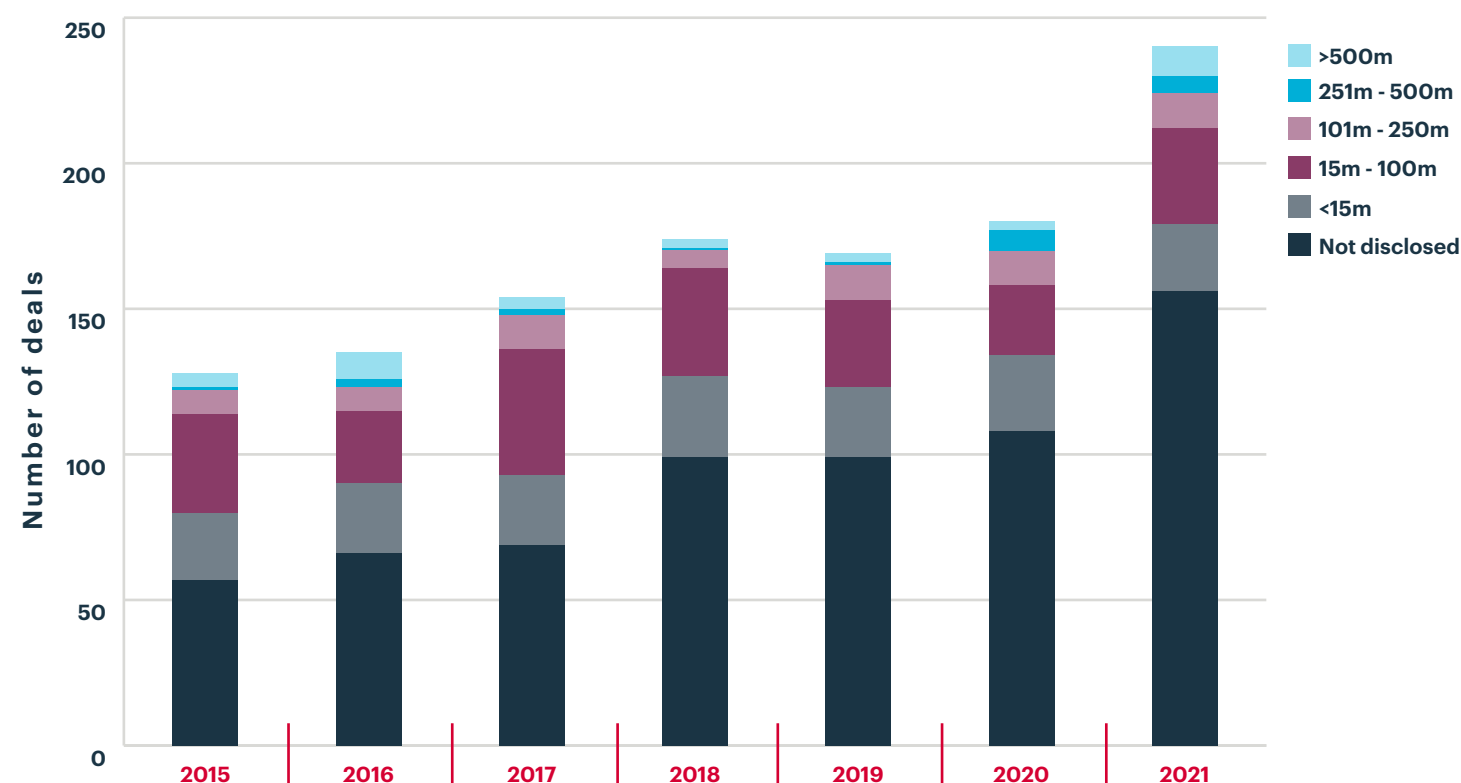
In some ways, the Ulster Bank Ireland transaction set the tone for dealmaking, with industry consolidation one significant driver of M&A activity during 2021, particularly in the financial services sector. The desire of private equity firms to do deals also supported the top end of the Irish M&A market. With PE firms coming into 2021 sitting on over US\$2tn of dry powder, the search for opportunities to deploy capital was a global one last year. That led to deals such as the €3.4bn takeover of UDG Healthcare by US private equity firm Clayton, Dubilier & Rice, the second-largest transaction of 2021 in Ireland.

Indeed, overall, PE-led transactions accounted for €10.76bn of Irish deal value in 2021, 135% up on 2020. PE deal volumes rose 16% year-on-year to 66 deals – PE buyers acquired a significant number of mid-market targets, as well as playing a prominent role in the larger deals.

One other notable feature of Ireland's M&A market last year was the dominance of two sectors in particular. Transactions involving financial services accounted for 29% of all deals by value, partly due to the Ulster Bank deal, but the technology, media and telecoms (TMT) sector was the top by deal volume.

Over a quarter of all the deals done in Ireland last year (28%) were in the TMT sector and while many of these transactions were relatively small by value, the sector also accounted for four of the top 20 largest deals of 2021. As such, Ireland's technology sector, a longstanding focus of government support to attract international investment, continues to generate M&A interest.

Irish M&A Split by Deal Size



.04 Sector Watch

Irish TMT
transactions totalled
€4.6bn in 2021,
more than twice
the figure recorded
in the previous
12 months.



Mark Talbot
Partner, Corporate

The demand for TMT companies was a notable feature of M&A activity in regions all around the world during 2021, as more businesses than ever focused on digital transformation. The pressures of the Covid-19 pandemic accelerated trends such as the rise of ecommerce and the embrace of new ways of working, prompting a race to acquire technology businesses with relevant skills and intellectual property. Media companies, meanwhile, have also been a beneficiary of the Covid-19 crisis, with demand for content – and therefore those businesses with content to provide – soaring across digital channels.

Ireland's TMT sector is no exception, accounting for 28% of all Irish M&A by deal volume last year (up from 23% in 2020) and for 19% by value. And although that latter figure was slightly down on 2020's 23% share of value – reflecting a number of very large financial services sector deals in 2020 – Irish TMT transactions totalled €4.6bn in 2021, more than twice the figure recorded in the previous 12 months.

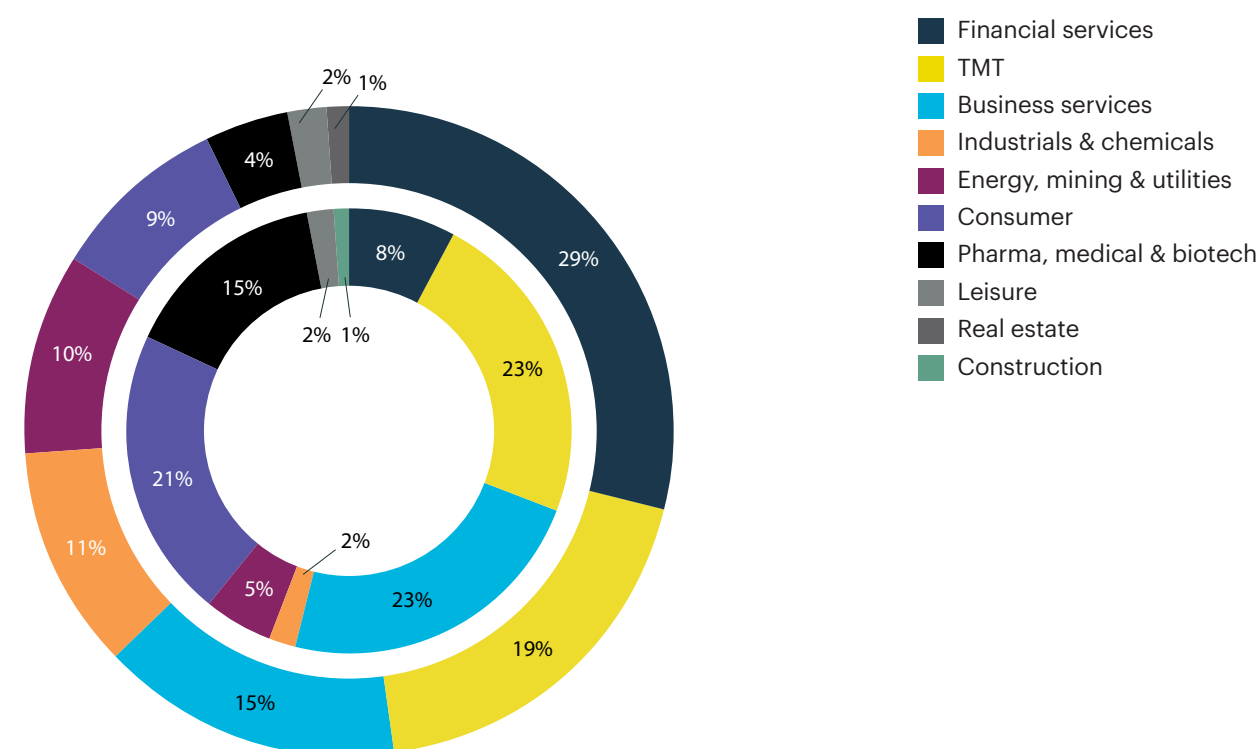
The largest Irish TMT deal last year was a prime example of how trends in the sector are coalescing. The €1.8bn deal saw private equity firm Advent team up with European investment group Eurazeo to take control of Ireland's Planet, which provides a range of digital payment services, particularly to clients in sectors such as retail, hospitality, food and beverage, and financial services, where ecommerce demand is soaring. Other notable TMT deals underline private equity's interest in the sector, including the special purpose acquisition vehicle Live Oak's €1.2bn merger with Navitas Semiconductor and the acquisition of software specialist Fenargo by Astorg and Bridgepoint at a valuation in excess of US\$1bn.

Not that TMT has been the only sector to have seen elevated deal activity over the past 12 months. In financial services, several large deals in addition to the Ulster Bank-Allied Irish transactions swelled aggregate deal value to €7.14bn. These deals included Carlyle Aviation's €2bn purchase of Fly Leasing and Bank of Ireland's €480m acquisition of stockbroker J&E Davy.

Elsewhere, the pharmaceutical, medical and biotechnology (PMB) sector also saw a busy year of M&A in 2021, with 41 transactions; those deals represented 17% of all Irish activity by volume, the second-busiest area of the market.

Irish M&A value by sector 2020–2021

Inner circle: 2020
Outer circle: 2021

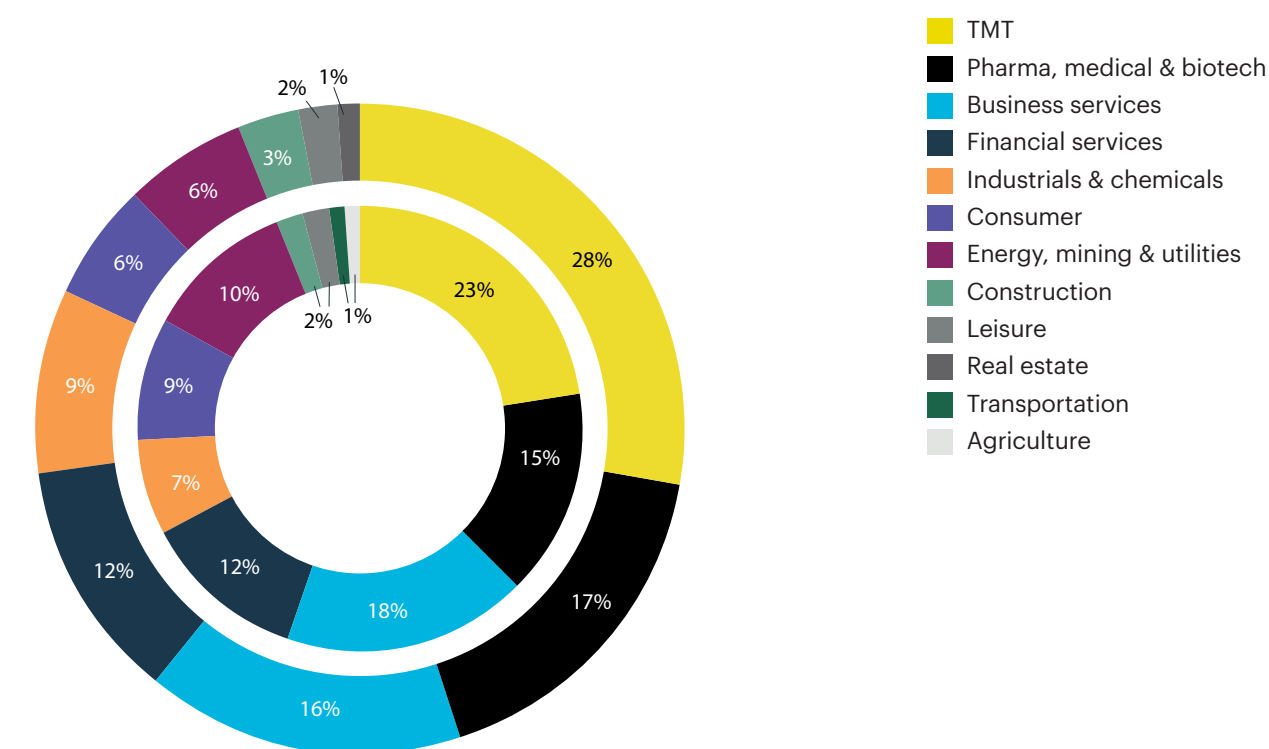


These transactions, however, were mainly on the smaller side, or did not include disclosed deal values. At the top end, PMB companies accounted for just one of the 20 largest deals of the year, the acquisition of Healthcare 21 Group by Sweden's AddLife for €240m. Rather, the mid-market is accounting for more of the sector's deal activity, particularly when it comes to biotechnology, where a vibrant and innovative community of small and medium-sized firms is attracting worldwide attention. The National Institute for Bioprocessing Research and Training reports that international businesses have invested US\$10bn in Irish facilities over the past decade.

Another sector of the market is worth singling out: business services companies accounted for 15% of M&A activity in Ireland by value last year, including the €3.4bn deal for UDG Healthcare, and 16% by volume. The sector continues to flourish, with mid-market companies attracting particular attention, as firms focus on business model change, new operating practices and efficiency and effectiveness.

Irish M&A volume by sector 2020–2021

Inner circle: 2020
Outer circle: 2021



The PMB sector also saw a busy year of M&A in 2021, with **41 transactions**; those deals represented 17% of all Irish activity by volume, the second-busiest area of the market.

.05 Inbound Activity

2021 recorded
**172 inbound M&A
transactions** worth
a total of €19.2bn.



Elaine Morrissey
Partner, Corporate

Ireland continues to attract substantial interest from international investors: 2021 recorded 172 inbound M&A transactions worth a total of €19.2bn. That was a 33% increase in volume terms and a 132% increase by value on the previous year – a significant contribution to the overall rise in Irish M&A activity seen over the past year.

In fact, all but three of the 20 largest deals in Ireland last year were inbound cross-border transactions, with US acquirers accounting for seven of those 17 transactions. Indeed, across the whole of the M&A market, US-based buyers were responsible for €13.2bn worth of deals; to put that figure into context, acquirers in the UK, the next most significant source of dealmaking, accounted for only €1.4bn of transactions, including three of the top 20.

In part, this international demand for Irish businesses reflects the strength of the opportunity that the country offers – in terms of both the robust economic recovery it has delivered since the beginning of the Covid-19 crisis and the large number of attractive multinational businesses in the country.

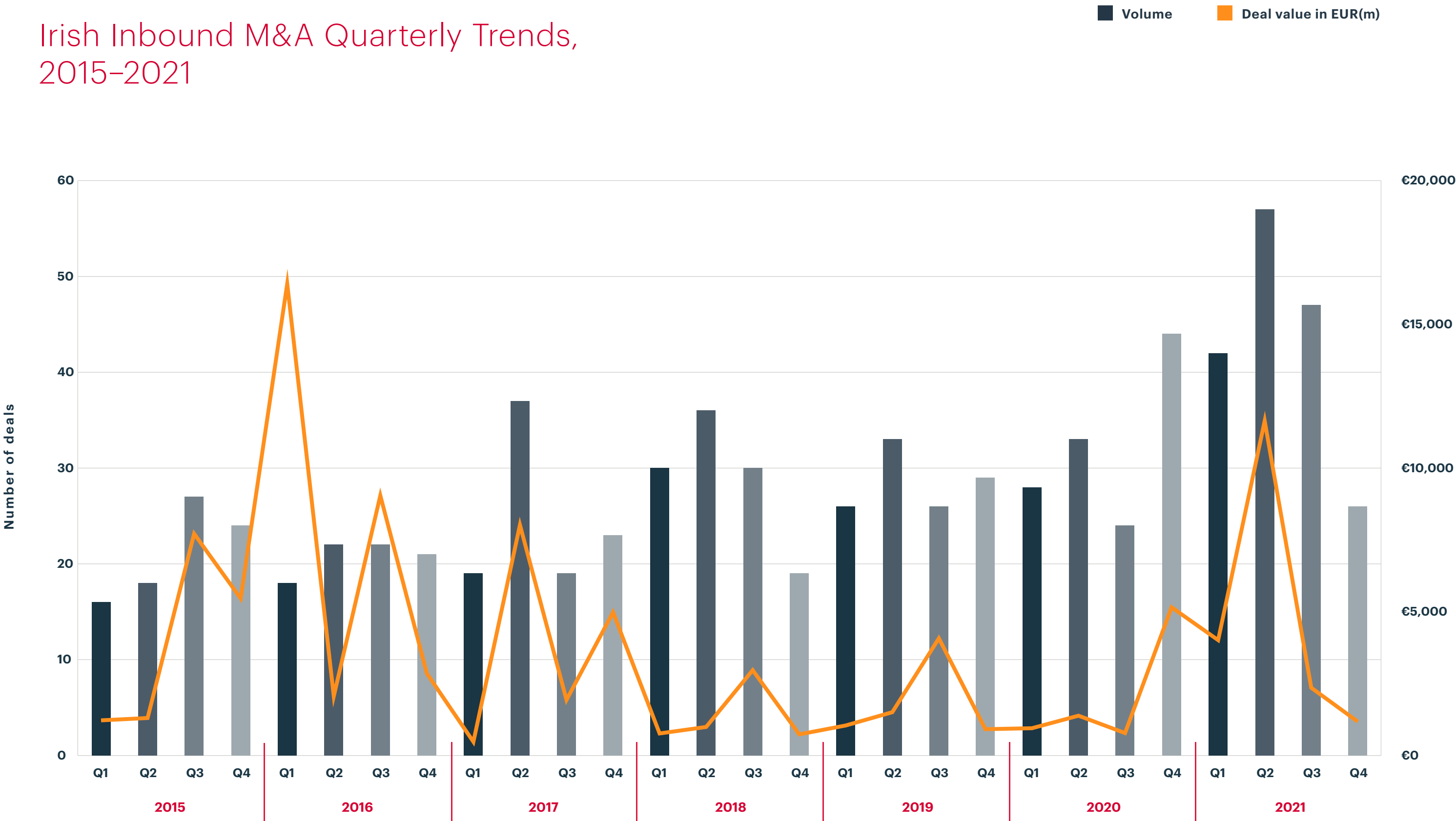
However, there is another significant driver of inbound activity into Ireland. At a time when many countries are taking a more protectionist approach to foreign investment, introducing new powers of scrutiny over M&A transactions deemed to be in more sensitive areas, Ireland has remained much more welcoming and has signalled that this stance will be maintained.

New European rules due to come into force during 2022 will give Ireland's regulatory authorities more power to screen foreign direct investment in the country. But the new regulatory regime is widely expected to be benign compared with what has been seen in other jurisdictions, with rules largely focused on information sharing rather than paving the way for increased intervention or more demanding competition/anti-trust tests.

Against that backdrop, Ireland's attractiveness to international investors, relative to other markets, continues to strengthen. In a global environment where both corporate investors and PE firms have been keen to deploy large amounts of capital, that has been a significant driver of M&A in the country.

That is not to suggest, however, that domestic dealmaking is in decline. Here too, 2021 saw increased activity, with 68 domestic transactions over the course of 2021, up from 51 in the previous year.

Irish Inbound M&A Quarterly Trends, 2015-2021



.06 Private Equity

The PE sector was
behind **66 M&A
transactions**
in Ireland.



Ronan Shanahan
Partner, Corporate

Across 2021 as a whole, the PE sector was behind 66 M&A transactions in Ireland, nine more than in the previous year. Moreover, many of those deals were significantly larger than in the previous year – aggregate deal values for PE transactions rose 135% to €10.8bn.

Indeed, nine of the top 20 largest deals of the year were PE-related. That included two buyout deals and seven exits. Amongst the former, Clayton, Dubilier & Rice's €3.4bn purchase of UDG Healthcare was the biggest PE transaction of the year – and the second-biggest M&A transaction of 2021 full stop, while the largest exit saw Eurazeo sell a stake in payments firm Planet to Advent, though Eurazeo also reinvested in the company alongside PE group Advent.

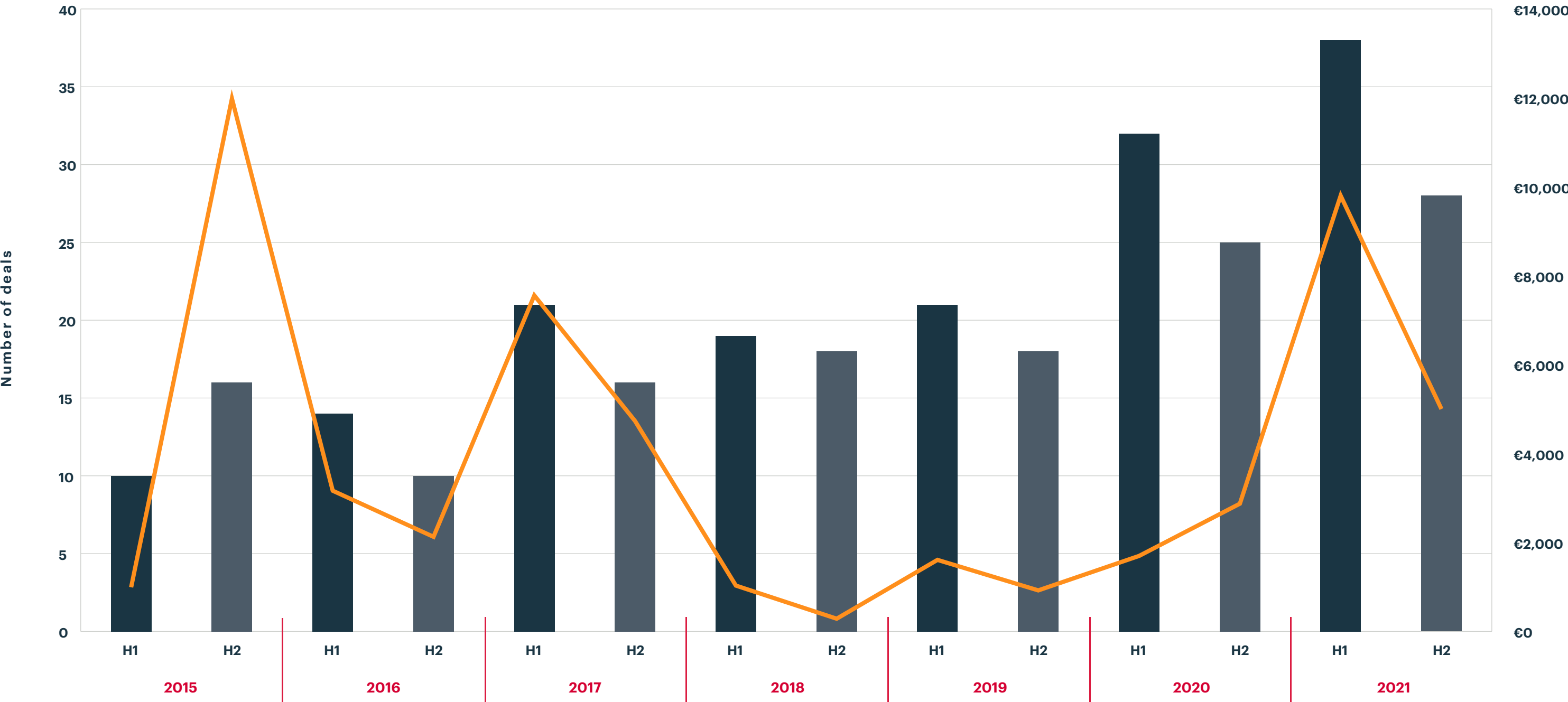
Clearly, the volumes of dry powder globally are prompting PE firms to look far and wide for attractive opportunities. Notably, the four largest inbound cross-border deals of 2021 were all PE-led transactions – though international PE investors also targeted mid-market transactions last year.

However, Ireland isn't seeing more PE transactions just because of the pressure to deploy capital. The country offers stand-out opportunities to investors. One is the relatively warm welcome that many Irish corporates extend to PE investors, reflecting a degree of reluctance to engage with the banking sector if equity funding is available. Another factor has been relatively affordable valuations compared with deal targets in some countries, though tough competition for the best assets has seen multiples rise over time. A further factor is the increasing familiarity amongst Irish business owners and senior managers with the PE model and their heightened confidence in PE as a tool for growth acceleration and value creation.

More broadly, confidence in the strong economic performance of Ireland has sustained PE investment in the country. While there is inevitably concern that the recovery could falter – particularly if the Covid-19 pandemic grows more intense once again – the Irish government's strong performance during the pandemic, with a robust response on both economic support and healthcare, provides PE investors with comfort.

Irish M&A Private Equity Trends, 2015-2021

Volume Deal value in EUR(m)



.07 Outlook



Stephen Keogh
Head of Corporate/M&A

In broad terms, the outlook for M&A in Ireland looks encouraging over the year to come. Although it may be difficult to sustain the pace of dealmaking seen in 2021 – which inevitably included some activity held over from the previous year – the economic backdrop remains supportive. Ireland is once again expected to outstrip the EU on growth, with the EC expecting only a handful of countries – notably Spain and Hungary among the larger EU economies – to grow more quickly.

Moreover, the weight of PE money looking for a home continues to drive competition for Irish assets. As firms vie for the best assets with corporates looking to reshape their portfolios in the wake of the pandemic, particularly in the context of digital transformation, competition for deals will underpin M&A activity.

Against that, there are headwinds that could slow activity. For example, although Ireland has weathered the pandemic relatively well to date, the emergence of the Omicron variant may slow economic recovery – in Ireland and globally. Another concern for Ireland specifically is the global move to discourage a race to the bottom on corporate tax rates and the move to reallocate (for tax purposes) a proportion of profits to the jurisdiction of the consumer; in October 2021, Ireland announced it would drop its insistence on maintaining a universal corporate tax rate of 12.5% amid an international agreement of OECD countries. In future, Ireland will operate with a rate of 15% for businesses with annual turnover of more than €750m, possibly as early as next year. Of course, the enhanced certainty brought about by this OECD agreement (and the relatively few companies in Ireland to which it will apply) may prove to be a boost to M&A activity. Other potential headwinds include the prospect of a jump in inflation rates and skills shortages.

Overall, there is good reason to expect another robust year of M&A activity in Ireland over 2022. The country's relative economic merits – including ease of access to EU markets and Ireland's open, non-protectionist, economy – should outweigh any other concerns, even if Covid-19 developments are harder to anticipate.

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, San Francisco and Silicon Valley, 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's Deals of the Year Awards 2021 –

- M&A – Merger: Flutter Entertainment plc merger with The Stars Group Inc
- Equity Capital Markets – International Equity Markets: FINEOS Corporation Holdings plc
- Debt Capital Markets: Refinancing Programme – Ardagh Packaging Finance plc 2021 Notes programmes
- Loans & Financing, & Private Equity – Refinancing – Ireland: Uniphar
- Loans & Financing, & Private Equity – Green Finance (SME): LD Power Limited
- Financial Services Ireland & International Financial Services – Ireland: Financing & Acquisition: Chill Insurance & Ivernia Insurance by Livingbridge

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:

- "William Fry exhibited an intricate understanding of Ireland's M&A complexities and cross-border attributes. The team

leaves no stone unturned, prioritising a pragmatic approach to legal advisory. I was impressed with the team's ability to identify and negotiate effectively on a variety of legal issues of varying levels of magnitude, which positively impacted and assured our client. The team eliminated any potential issues from arising at the eleventh hour and were extremely proactive by identifying and resolving them early in the process."

Legal 500 EMEA, 2021

- "The 'diligent and personable' team at William Fry has an excellent reputation." *Legal 500 EMEA, 2021*
- "Very solid commercial advice. The Firm has been consistently reliable, diligent and dependable." *Chambers Global, 2021*
- "The lawyers apply the law in a very commercial manner and give sensible suggestions. Their responsiveness and the turnaround time on work is excellent." *Chambers Global 2021*
- "What always amazes me is their ability to understand a complex case in a very limited timeframe and come up with a winning legal strategy," says an impressed client. *Chambers Europe, 2021*
- "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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