
NEWSLETTER FIRST SEMESTER 2024

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M&A in the current context.

In this brief note we summarize our view on the current economic situation, its impact on the M&A market and report on the activities of S&E Partners.

▪ **General economic Situation**

The Spanish economy has continued to grow above expectations during 2024. Monetary policy is achieving the objective of reducing inflation. After uninterrupted interest rate increases since March 2016, in June this year, the ECB has made two cuts of 0.25% and the Federal Reserve seems to be going to make a cut of 0.5%. Inflation seems under control.

Spain seems to have had another good tourist season and is seeing improvement in the foreign sector, even though exports are down due to the weakness of our main clients in Europe. This is because imports are down even more. Without going into the changes in the method of calculating employment and unemployment, the figures seem to be improving. However, Spain's productivity gap with respect to Europe remains very large and has not improved in the last 20 years.

The imbalance in the State debt continues and seems to be absolutely out of control. An excellent opportunity to reduce it (which is what is needed in times of prosperity) has been lost thanks to extraordinary tax revenues due to the economic situation and, above all, to the extra revenues obtained by the Inland Revenue (in a clearly unfair manner) by not adapting the income tax tables to inflation.

The geopolitical outlook at international level remains highly uncertain. The war in Ukraine has not stopped and the situation in Palestine remains unresolved and there is a risk of spreading war into the Middle East. The USA elections also generate great uncertainty. The US economy, however, is performing well.

Let us hope that the Middle East does not get out of hand and that an agreement is finally reached between both parties which will allow for peaceful coexistence. High time. On the other hand, we hope that inflation will continue to fall and allow the central banks to make further interest rate reductions in the rest of the year. Let us hope for a soft landing.

Our daily contact with businessmen and entrepreneurs makes us optimistic. There are many good companies and many good projects by people who work and take risks every day, who are not easily intimidated by these risks. It is the magic of private initiative and that of human nature which expresses itself in freedom.

▪ **M&A market**

The global M&A market has started to recover in 2024, growing by more than 20% in the first semester of the year. While the increase is very strong in very specific sectors (Oil & Gas) with a large proportion being in the total figures, it is confirmed at different speeds for the majority of sectors. An important factor driving this improvement, which is expected to continue, is the improvement in inflation and interest rates.

In Spain, the number of transactions has remained stable, with a clear increase in the average transaction amount and a slight increase in multiples. Both corporates and private equity are analyzing many operations and there seems to be a lot of deals in the pipeline.

This recovery is expected to bear fruit over the rest of the year and to gain speed if central banks continue to lower interest rates.

As always, good companies always have buyers, and it is the advisor's job to do a good screening of the market to find potential interested parties. At the same time, buyers always have options for inorganic growth. Obviously, though, a good environment always helps.

▪ S&E PARTNERS

The first semester has been truly exceptional both compared to the first semester of 2023 and its second semester.

During this period we have closed two transactions, one in the machinery sector which remains confidential and the acquisition of Motorline (a leading company in Portugal in automation) by our client CAME Spa in a 100% cross-border project typical of the firm. We have also closed three LOIs whose Due Diligence is keeping us very busy at the moment.

We continue with a worldwide buyside mandate from a European multinational and with four saleside mandates and one to seek capital for a start-up. We have carried out a strategic business plan for the board of an agrochemical company and advised a client on a commercial due diligence in the dairy sector.

Our ongoing advice to a private equity firm investing in technology startups in Israel is that the companies' evolution is generally positive, considering the extremely difficult environment. Despite their size, they are very international companies. We have participated in the expansion of one of the most successful companies in the portfolio, which has a very innovative solution in the world of batteries and which contributes to significantly reducing their cost. However, the entire technology sector is suffering from fund-raising and therefore valuations are suffering worldwide.

As part of our DNA, we continue to have a strong international activity. Approximately two-thirds of our deals have international buyers, sellers or both. At the moment, we have two international company mandates.

Businessmen, families, private equity groups and multinationals continue to place their trust in S&E Partners due to our professionalism and complete dedication. We are proud that many of our clients renew their trust in us and recommend us to third parties.

S&E is optimistic for the second semester of 2024, given that we maintain a good number of mandates and a good pipeline. We will focus our attention on our projects and help our clients take advantage of the many opportunities.

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