
NEWSLETTER SECOND SEMESTER 2024 January 2025

▪ **General economic situation**

The Spanish economy has continued to grow above expectations during the second half of 2024. The annual growth rate is forecasted to be 3.1%. The reasons for this are due to an exceptional tourist season, the *next generation* EU funds, and higher household consumption. The disaster – for many reasons that are not relevant to discuss here – caused by the DANA will have likely reduced growth by one or two tenths in 2024. The monetary policy is achieving its goal of reducing inflation in Europe and in Spain. This, combined with the recession in Germany and France, has led the ECB to decide to lower interest rates by 25 basic points, marking the fifth cut since June 2024. The Fed has kept rates unchanged, possibly to emphasize its independence from Trump's bravado and because the Fed considers the U.S. economy to still be overheating.

Certainly, Spain stands out in terms of growth figures compared to the rest of Europe, which is in a bad situation. However, we cannot base growth solely on *next generation* EU funds and tourism, which is a very respectable sector, but we cannot allow ourselves to become a monoculture economy. The fact that our main clients (the 'wealthy' European countries) are suffering does not bode well for the future. Europe, as highlighted by numerous analysts and Mario Draghi himself on behalf of the Commission, needs to make **very profound** changes. It is not necessary to abandon the principles that unite and shape us, but it is essential to reform the welfare state to restore it to a system that genuinely supports those in need, without suffocating or discouraging wealth creators with endless regulations and excessive taxation. It is also urgent to find a solution to the cost of energy.

Geopolitical prospects at the international level remain highly uncertain. The war in Ukraine continues, while in Palestine a fragile ceasefire is in place, with its outcome still unclear. However, it is clear that the war has not succeeded in eliminating Hamas – the group that started this war with an abhorrent terrorist act – and the problem still lacks a sustainable solution. In the U.S., the measures announced and partially implemented by Trump generate a mix of hope for a few things and deep unease in others. One thing that is clear in economics is that free trade exchanges generate greater prosperity for all involved. Tariffs are bad news for everyone, and also in the medium term for Americans. Using them as a pressure tactic to achieve other, often questionable, objectives – with some exceptions, such as forcing Europe to reasonably contribute to its own security – brings us closer to the *far-west* than to dialogue between democracies of the free world. Not to mention dancing to the tune of anti-democratic expansionists like Putin

Let's hope that entrepreneurs, managers, and workers in the business world – who are the true creators of wealth - do not lose their drive and continue pushing forward.

▪ **The M&A Market**

The global M&A market seems to have grown due to an increase in the number of transactions and, above all, because they have been of higher value. Geographically, the market has grown more in Europe (which had previously seen a sharper decline) than in the U.S. The growth in the number of transactions in Europe is 17.5%.

In terms of multiples, the gap in favour of the United States has increased, while in Europe, they have remained more or less stable.

In Spain, the number of transactions has remained virtually stable compared to 2023, with a significant increase in the average transaction value and also a slight rise in multiples, which may be heavily influenced by some large-sized deals.

The actual interest rate cuts made in 2024 and the expectations for 2025 place private equity firms in a better position to carry out deals.

There are many sectors in Spain that are, or should be, undergoing consolidation processes to expand their product portfolio and increase their size. The best way to approach this is to give a buy or sell mandate to a professional firm, so that the process does not negatively impact the management of the business and to maximize the outcome.

There is a problem with business sizing. Many family-owned companies need to pursue an aggressive organic and inorganic growth strategy or consider a sale. Especially those where generational succession is not assured.

▪ S&E PARTNERS

The second semester of the year has been truly excellent. Combined with the exceptional first semester, 2024 has been a very good year for us.

During this period, we have closed two deals: one in the sector of auxiliary products for construction, which involved the sale of 100% of the shares of the family-owned Klein Group, a leader in sliding door systems in Spain, to the Swiss multinational group Hawa Sliding Solutions. We are particularly proud of this transaction, which required a prior optimization and preparation process for the company, carried out in complete harmony with the *management*, resulting in a spectacular improvement in performance. It is a typical S&E deal in both senses: we brought our business expertise to optimize the company before the transaction, and it is *cross-border*.

The second is the acquisition of Carpyen (designer lighting) by Mirplay, which is backed by the Nexus Iberia fund, enabling them to expand their product portfolio. Additionally, we have closed two LOIs, and their *due diligence* processes are now beginning.

We continue with a buy mandate from a European multinational for the entire world, as well as two sell mandates in the *Life Sciences* sector. Additionally, we have recently initiated a strategic plan for the board of a company in the *Life Sciences* sector, specifically in its natural extracts division.

In our ongoing advisory work for a private investment firm that invests in tech startups in Israel, the overall situation of the companies is generally positive, considering the extremely difficult environment. There is considerable optimism surrounding the ceasefire in the war and the return to some degree of normality.

As part of our DNA, we continue with a strong international presence. Approximately two-thirds of our *deals* involve international buyers, sellers, or both. At the moment, we have two mandates from international companies.

Entrepreneurs, families, *Private Equity* groups, and multinationals continue to place their trust in S&E Partners for our professionalism and unwavering dedication. We are proud that many of our clients renew their trust in us and/or recommend us to others.

S&E is optimistic for 2025. We maintain a solid number of mandates and a strong pipeline. We will focus intensely on our projects and help our clients capitalize on emerging opportunities.

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