Western European M&A lawyers focus on depth of knowledge as markets recover - Legal Advisory Viewer

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1. Heavy election year has seen surge in reassurance work over political risk
2. EU's FSR scheme could create further delays in some cross-border deals

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Western European lawyers with deep expertise across a range of domains have an edge in the battle for mandates as the M&A market starts to recover, dealmakers said.

"The success of legal M&A advisors is measured by their track record in getting all aspects of deals done and capacity to save time for clients by well anticipating regulatory and political hurdles across jurisdictions, " M&A Partner at **Weil Gotshal & Manges** Yannick Piette said.

"To win mandates in a complex environment, clients favor law firms with a solid international network, expertise in private and public deals and in-depth knowledge of institutional issues in the geographies they operate, especially in a heavy election year," he added.

The taming of inflation in Western Europe has created a space for the European Central Bank to begin cutting interest rates; and that has created a more benign environment for financing deals. As a result. M&A transactions in Western Europe have increased by 32% so far this year, according to *Mergermarket* data. Aggregate deal volumes in the year to date (YTD) were EUR 412.2bn across 7,553 deals, compared to EUR 312.2bn over 8,522 transactions in YTD23.

Some of the key European transactions have already faced headwinds triggered by political uncertainty in addition to complex competition and foreign investment control (FDI) reviews.

Examples of complex deals include the potential carve-out of **Sanofi**'s [EPA:SAN; NASDAQ:SNY] consumer health unit, which is likely to head to a sponsor-heavy auction. France's uncertain political situation could compromise the IPO option, as reported.

The FDI screening of a key business for the country's sovereignty in terms of staple medicines production could also delay the auction but not derail it, as reported. The contemplated privatisation of German energy giant **Uniper** [ETR:UN01], would also intervene ahead of uncertain general elections in October 2025.The Federal Republic of Germany is set to hire advisors this summer.

This heavy election year, especially the hung parliament elected in France earlier this month, and US elections in November, have also resulted in a surge of clients reaching out for reassurance on political risks potentially affecting deals, Karl Hepp de Sevelinges Managing Partner at Paris-based law firm **Jeantet** said.

The role of legal advisors is for now to help clients to keep sight on the still supportive market conditions and adapt to real and not fantasized obstacles, he added.

Cross-border deals amid heightened regulatory environment

Advisors should also be able more than ever to navigate the intricacies of highly complex, multi-jurisdictional transactions especially for those involving listed companies which are increasingly looking for M&A opportunities abroad due to limited growth perspectives domestically, Marc Petitier, M&A Partner at **White & Case**, said.

For instance, Spanish manufacturer of automotive components **CIE Automotive** [BME:CIE], a Spanish manufacturer of automotive components, is mulling for bolt-ons in Asia, while German chemicals giant **Covestro** [ETR:1COV], has in June agreed to begin "concrete negotiations" with **Abu Dhabi National Oil** (ADNOC) [ADX:ADNOCDIST] about a potential EUR 11.7bn takeover set to be among the largest deals in Europe so far this year.

As regulatory obligations piled up with the effective introduction this year of the EU Foreign Subsidies Regulation (FSR), some transactions are taking longer and can face three layers of regulatory screenings, besides merger control and FDI reviews.

Most M&A practitioners are used to merger control procedures, but regulatory hurdles have become stricter over the past couple of years with FSR and FDI reviews which made us spend a lot more time than we used to on some transactions, M&A Partner at **A&O Shearman** Hendrik Röhricht said.

As part of the FSR, mergers for which the target's annual turnover is over EUR 500m and where parties have received more than EUR 50m in "foreign financial contributions" are now required to seek prior clearance from the European Commission before closing.

The new FSR screening has already resulted in a strong pushback from countries particularly targeted by this instrument set to safeguard European industrial sovereignty.

China has already voiced concerns about FSR. Chinese company **Nuctech** has filed a complaint in EU's General Court over what it considered unlawful and arbitrary European Commission's inspections in its premises in the Netherlands and Poland as part of the FSR. One of the key recent in-depth FSR investigations includes the acquisition by the **Emirates Telecommunications Group Company PJSC** [ADX:EAND] of sole control of **PPF Telecom Group**, excluding its Czech business. The European Commission (EC) has a 15 October deadline for its investigation.

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