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Regional Overview

Iberia

Trend Report

In association with

iDeals

FY 2021

Foreword

The past two years have been defined by the COVID-19 pandemic. Spain and Portugal's economies were particularly affected by the impact on their travel and tourism sectors. Spain's economy shrank by 10.8% over the course of 2020, while Portugal's GDP contracted by 8.4%, according to the IMF.

But, like other major economies, after a significant drop in the number of M&A deals in 2020, the last part of 2021 saw a resurgence and a record number of transactions.

The industrials sector led the way, posting the highest value of any sector in the region, while Iberia's strengths in renewables attracted considerable attention to the energy sector.

It is not clear how damaging to tourism the Omicron variant might be, but we do not expect the region's dealmaking to be significantly affected. The amount of capital in the market is exceptionally high, and deals are being driven by energy transition, digitalization and turnaround activity for distressed firms. Assets in Iberia are undervalued compared to other regions which can only encourage overseas investment.

Spain, the larger of the two economies, expects 2021 GDP growth of 5.7% (above the EU average) and Portugal is predicted a more moderate 4.4%. The number of deals in Iberia rose by 29% on the previous year to 715 transactions—the highest since 2006. Value also rose year-on-year.

PE buyouts saw a massive rise - 72% and 24% in value and volume, respectively. Exits, on the other hand, dropped in value, in spite of a rise in the number of deals. This may be due to PE firms being under pressure to invest their large amounts of capital.

The energy transition was a major motivator for deals in 2021 – in one of the largest renewable energy deals of the year, Spain's Iberdrola and the Qatar Investment Authority jointly took a 20.1% stake in US-based AVANGRID for €3.3bn. At home the Australian investment firm IFM took a 10.83% stake in Naturgy, which has been investing heavily in solar and wind energy both in Spain and abroad.

The energy, mining and utilities sector saw €12.1bn in deal value in 2021, making it the second largest sector by M&A value (20.6%).

The economic recovery boosted deal activity in the leisure sector. This was especially significant for Iberia - travel and tourism contributed 17.1% to Portugal's GDP and 14.1% to Spain's in 2019, according to the World Travel and Tourism Council. The leisure sector saw M&A value increase almost eightfold and the number of deals also rose.

While the IMF projected 2022 annual growth rates of 6.4% and 5.1% for Spain and Portugal, that was before the emergence of the Omicron variant. However high vaccination rates and cross-EU co-operation on vaccine passports, plus a demonstrably resilient tourist industry, mean that Spain and Portugal are expected to cope with any future pandemic restrictions.

High levels of capital in the market and continued low interest rates should encourage more M&A, and PE, in particular, is well-positioned to take advantage, especially in assets with long-term growth potential.

Sebastian Montoya
Senior Business Development Manager Iberia, iDeals

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715

Iberian M&A deal volume in 2021 – the highest annual total on record (since 2006)

25.3%

Industrials & chemicals' share of overall M&A value (€14.9bn) – the most active sector by value

34.5%

EMU's share of M&A volume (92 deals) – the most active sector by volume

€59.1bn

Deal value announced in 2021 in Iberia

147

Number of PE buyouts – the highest volume on record

699%

Percentage increase in M&A deal value for the leisure sector compared to 2020

Iberian M&A turns around in 2021 as corporates and private equity alike return to the peninsula

Spain and Portugal found their economies hit especially hard by COVID-19 in 2020, with early waves of infections and a relatively high reliance on tourism and leisure contributing to the sharp contraction in GDP. Spain's economy shrank by 10.8% over the course of the year – the deepest contraction in the EU – while Portugal's contracted by 8.4%, according to the IMF. In contrast, the European Union as a whole saw GDP contract by 5.9% in 2020.

This year has seen a remarkable turnaround – at least in Spain, the larger of the two economies, which is expected to see GDP growth of 5.7% in 2021, above the average of 5.1% for the EU. Portugal, on the other hand, is set to grow at a more moderate pace of 4.4%.

The economic upswing has carried over to the M&A market. The number of deals in Iberia rose by 29% on the previous year to 715 transactions—the highest of any year in Mergermarket history (since 2006). Value also rose year on year, by 19% to US$59.1bn.

Private equity activity helped push deal activity to new highs. PE buyouts totalled 147 transactions worth US$23.2bn. This represented a 72% and 24% rise in value and volume, respectively. Exits, on the other hand, saw combined value drop from €17.4bn to €12.3bn, despite a 44% rise in the number of deals from 48 to 69 transactions. This pattern is perhaps due to the pressure on PE firms to invest their large amounts of capital – globally, private equity is estimated to have US$2.3tn in dry powder as of October 2021, according to S&P Global.

Green shift energizes dealmaking

The energy transition was a major motivating factor in Spanish deal activity in 2021. This was most evident when examining outbound activity. In one of the largest renewable energy deals of the year, Spain's Iberdrola teamed up with Qatar Investment Authority to take a 20.1% stake in US-based AVANGRID for €3.3bn.

Within the country, natural gas and electricity group Naturgy saw Australian investment firm IFM take a 10.83% stake for €2.3bn. Naturgy has been highly acquisitive in the renewables space, investing in solar and wind energy both in Spain and abroad. The company has committed to spend €8.7bn on renewables between 2021 and 2025.

In a similar move, French gas and energy group Engie teamed up with banking group Credit Agricole to buy a 97.33% stake in Spanish renewable energy group Eolia Renovables in a deal worth a reported €2bn.

Overall, the energy, mining and utilities (EMU) sector saw €12.1bn in deal value in 2021, taking up 20.6% of overall value and making it the second largest sector by M&A value, after the industrials sector.

Iberia M&A activity 2016-2021

Data analysis
continued

Even outside the energy sector, the push towards clean energy motivated transactions. The largest transaction of the year in Iberia was emblematic of this – the deal saw French construction firm Vinci acquire infrastructure group ACS's energy business. The €4.2bn acquisition will allow the French firm to better position itself as a leader in energy contracting. Vinci cited ACS's "long and recognized track-record of developing renewables concessions projects" as a motivating factor in its acquisition in a press release when the deal was announced.

Leisure M&A recovers
The economic recovery – and especially the recovery in travel and tourism – boosted deal activity the leisure sector. This was especially significant in Iberia, which sees a higher proportion of its GDP from tourism than its neighbours. Travel and tourism contributed 17.1% to Portugal's GPD and 14.1% to Spain's in 2019, according to the World Travel and Tourism Council, an industry body. This is significantly higher than 9.5% for Europe overall.

The leisure sector in 2021 saw M&A value increase almost eightfold from just €716m in 2020 to €5.7bn over the course of 2021. The number of deals also rose from 23 in 2020 to 31 in 2021.

A large proportion of this overall deal value was the sale of a 10.95% stake in La Liga Nacional de Futbol, the organizing body for Spain's top two football tiers, to private equity firm CVC. The €2.7bn deal provides Spanish clubs with investment after revenues took a dive due to the pandemic.

With so much capital at their disposal, PE firms are unsurprisingly keen to take advantage of opportunities in the sector, including continued digitalisation and long-term recovery from COVID impacts. UK-based PE firm Cinven, for instance, acquired a majority stake in RB Iberia, which holds the master franchise for the Burger King brand in Spain and Portugal and the Tim Hortons franchise in Spain, citing the acceleration of "digital engagement through apps and delivery" and the "potential for a significant return of consumer spend". Although the exact deal terms were not disclosed, it was valued at over €1bn, according to the parties involved.

A tricky road ahead
With a new variant of the coronavirus causing countries around the world to impose new restrictions, the outlook for 2022 is unclear. While the IMF has projected annual growth rates of 6.4% and 5.1% for Spain and Portugal, respectively, these projections were released in October 2021, before the emergence of the Omicron variant. With economies especially reliant on tourism and travel, Iberia is almost certain to be negatively impacted by any border closures in 2022.

With high vaccination rates and cross-EU cooperation on vaccine passport, however, Spain and Portugal have proven their resiliency over the past two years, with the tourism industry able to continue to operate in the warmer months even prior to widespread immunisation.

Moreover, given the high levels of capital in the market and continued low interest rates, M&A is set to remain active. PE, in particular, is well-positioned to take advantage of opportunities in the market, especially in assets that have been negatively affected by the pandemic but nevertheless have long-term growth potential—the RB Iberia deal being a prime example.

Special situation and turnaround opportunities could also prompt more deal activity. As corporates look to restructure to better cope with the effects of the pandemic, carve-outs could become more common. An example was seen in 2021, when UK-based Rolls-Royce, which has found its balance sheet hit hard by the drop in air travel, sold Spanish subsidiary Industria de Turbo Propulsores for €1.8bn to a PE consortium led by PE firm Bain Capital.

Looking for more insights into the Iberian market?
View our discussion here

Top deals

Announcement date	Target company	Target dominant sector	Target dominant geography	Bidder company	Bidder dominant geography	Seller company	Seller dominant geography	Deal value (€m)
01-Apr-21	ACS, Actividades de Construccion y Servicios, S.A. (energy business)	Construction	Spain	Vinci S.A.	France	ACS, Actividades de Construccion y Servicios, S.A.	Spain	4,200
06-Jun-21	Urbaser S.A.	Industrial products and services	Spain	Platinum Equity, LLC	USA	China Tianying Inc.	China	3,500
29-Mar-21	Euskaltel, S.A.	Internet / ecommerce	Spain	Masmovil Ibercom SA	Spain			3,460
04-Aug-21	Liga Nacional de Futbol Profesional (10.95% Stake)	Leisure	Spain	CVC Capital Partners Limited	United Kingdom			2,700
26-Jan-21	Naturgy Energy Group (10.83% Stake)	Energy	Spain	IFM Investors	Australia			2,318
11-Nov-21	Eolia Renovables de Inversiones, S.C.R., S.A. (97.33% Stake)	Energy	Spain	ENGIE SA; Credit Agricole Assurances SA	France	Alberta Investment Management Corporation	Canada	2,000
17-Dec-21	Altadia (100% Stake)	Chemicals and materials	Spain	The Carlyle Group	USA	Lone Star Funds	USA	1,900
27-Sep-21	Industria de Turbo Propulsores, S.A.	Industrial products and services	Spain	Bain Capital, LP.; JB Capital Markets, Sociedad de Valores, S.A.; Sapa Placencia S. L.	USA	Rolls-Royce Holdings Plc	United Kingdom	1,800
23-Sep-21	Zardoya Otis SA (49.99% Stake)	Industrial products and services	Spain	OTIS Worldwide Corporation	USA			1,646
23-Sep-21	Minas de Aguas Tenidas, S.A.U.	Mining	Spain	Sandfire Resources NL	Australia	Trafigura Group Pte Ltd; Mubadala Investment Company PJSC	United Arab Emirates	1,591

League tables

Financial advisor league table by value – mid-market (€5m-€250m)

Ranking				
2021	2020	Company name	Value (€m)	Deal count
1	1	PwC	1,782	19
2	3	Deloitte	1,504	14
3	2	KPMG	1,254	15
4	10	EY	926	12
5	32	Arcano Partners	762	8
6	9	Santander Corporate Investment Banking (SCIB)	724	5
7	-	JPMorgan	501	3
8	6	Greenhill & Co	466	3
9	40	Natixis	441	4
10	23	AZ Capital	393	4

Financial advisor league table by deal count – mid-market (€5m-€250m)

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10	12	Greenhill & Co	466	3

Legal advisor league table by value – mid-market (€5m-€250m)

Ranking				
2021	2020	Company name	Value (€m)	Deal count
1	3	Uria Menendez	2,093	20
2	2	Cuatrecasas	1,619	26
3	1	Garrigues	1,577	15
4	5	Linklaters	1,441	10
5	12	PwC legal	1,361	12
6	4	Gomez-Acebo & Pombo Abogados	1,144	17
7	-	Freshfields Bruckhaus Deringer	1,019	8
8	11	Perez-Llorca	938	12
9	43	DLA Piper	913	13
10	7	Clifford Chance	801	5

Legal advisor league table by deal count – mid-market (€5m-€250m)

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9	-	Freshfields Bruckhaus Deringer	1,019	8
10	9	Herbert Smith Freehills	733	6

The advisor league tables by value and volume have been run from 01/01/2021 to 20/12/2021 and exclude lapsed and withdrawn deals.
The tables are based on advice to a Iberian bidder, target or vendor and cover all sectors.

Criteria

All data is based on transactions over USD 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds USD 10m. Deals where the effective stake acquired is less than 30% will only be included if the value is greater than USD 100m. Full deal inclusion criteria can be found here.

Trend data: Based on the dominant geography of the target company and excludes lapsed and withdrawn bids. Sector trends based on the dominant sector of the target.

Top deals: Based on the dominant geography of the target company.

League tables: Based on the dominant geography of the target, bidder or seller, and excludes lapsed and withdrawn bids.

All values are in EUR
M&A Trends and Top Deals correct as of 9am (GMT), 22-Dec-2021.

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