

ADVANT Altana | Beiten | Nctm



ADVANT M&A DEAL POINT STUDY

MAY 2025

OVERVIEW

OF MAIN FIGURES

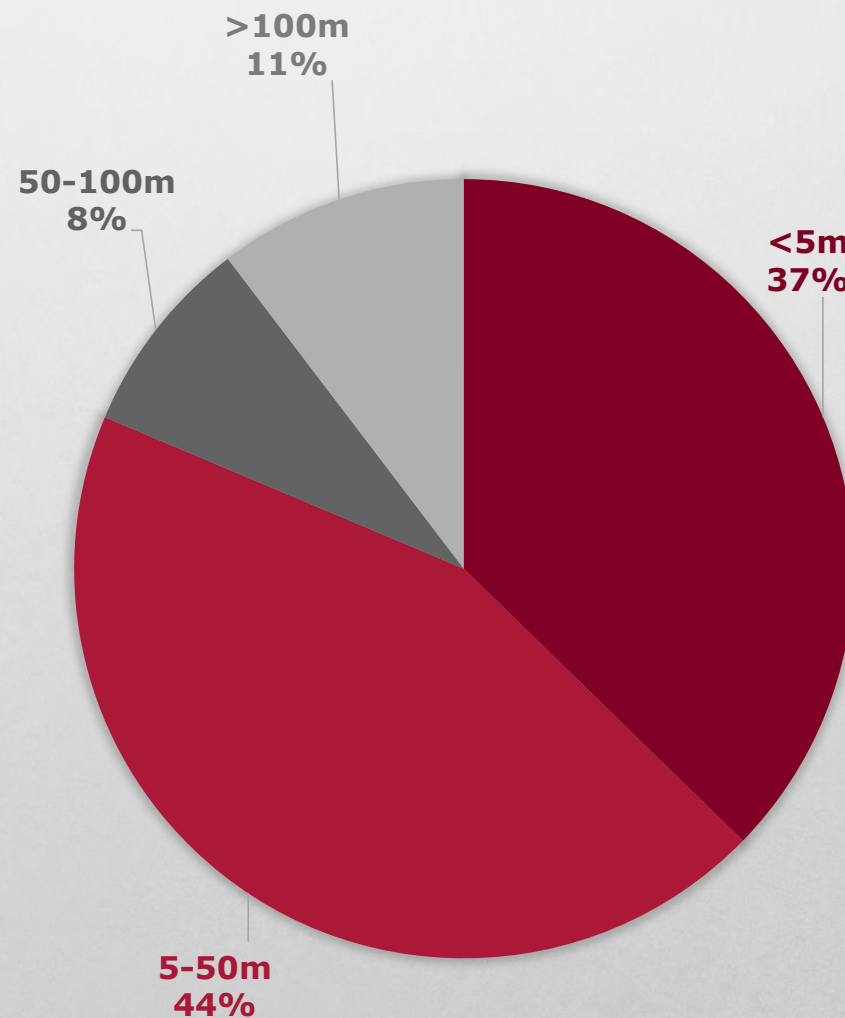
- DEAL COUNT
- DEAL VALUE
- SECTORS



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DEAL COUNT & DEAL VALUE

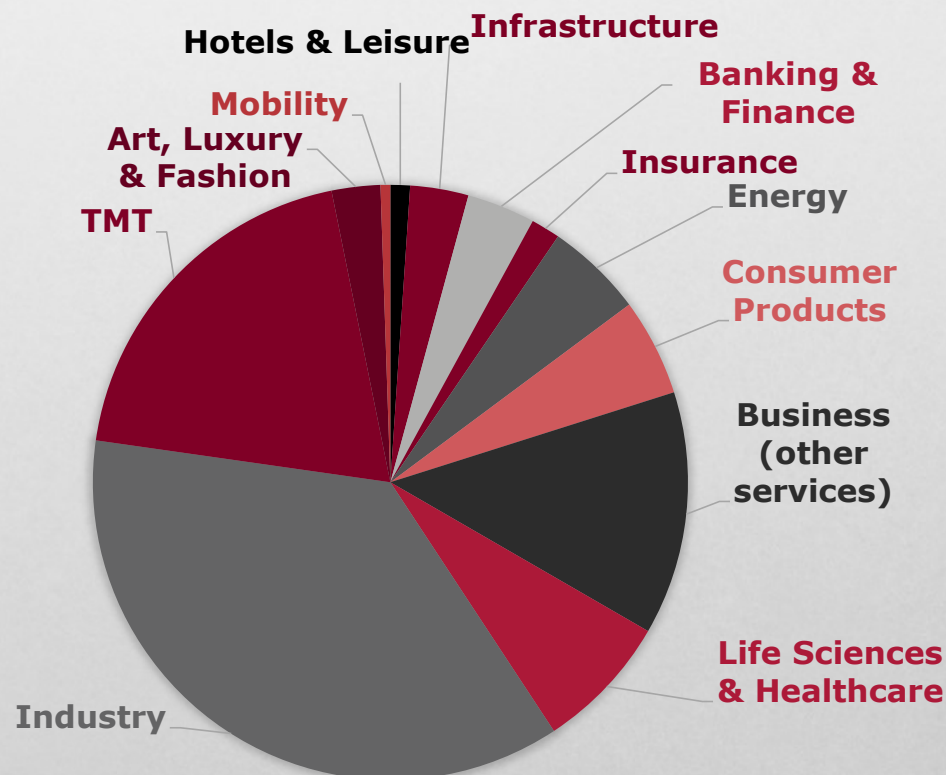
- ADVANT M&A Deal Point Study contains data of 193 M&A transactions of 2024.
- This number represents 15% increase in deal count in comparison with 2023 results: 168 deals in 2023 vs. 193 deals in 2024.
- ADVANT's leading deal cluster is represented by deals of EUR 5–50m (44%).
- In 2024 the number of deals larger than EUR 100 million grew by 2% in comparison with 2023.



ADVANT M&A DEAL POINT STUDY

INDUSTRY SECTOR OVERVIEW

- ADVANT's major sectors remain the same and contribute 62% of the entire deal count:
 - Industry: 36%
 - TMT: 20%
 - Life Sciences & Healthcare: 7%
- Industry sector leads in all deal clusters:
 - <5m: 29%
 - 5-50m: 41%
 - larger deals of >50m: 36%
- Number of Energy sector deals doubled in comparison with 2023.



ANALYSIS

OF SPECIFIC DEAL POINTS

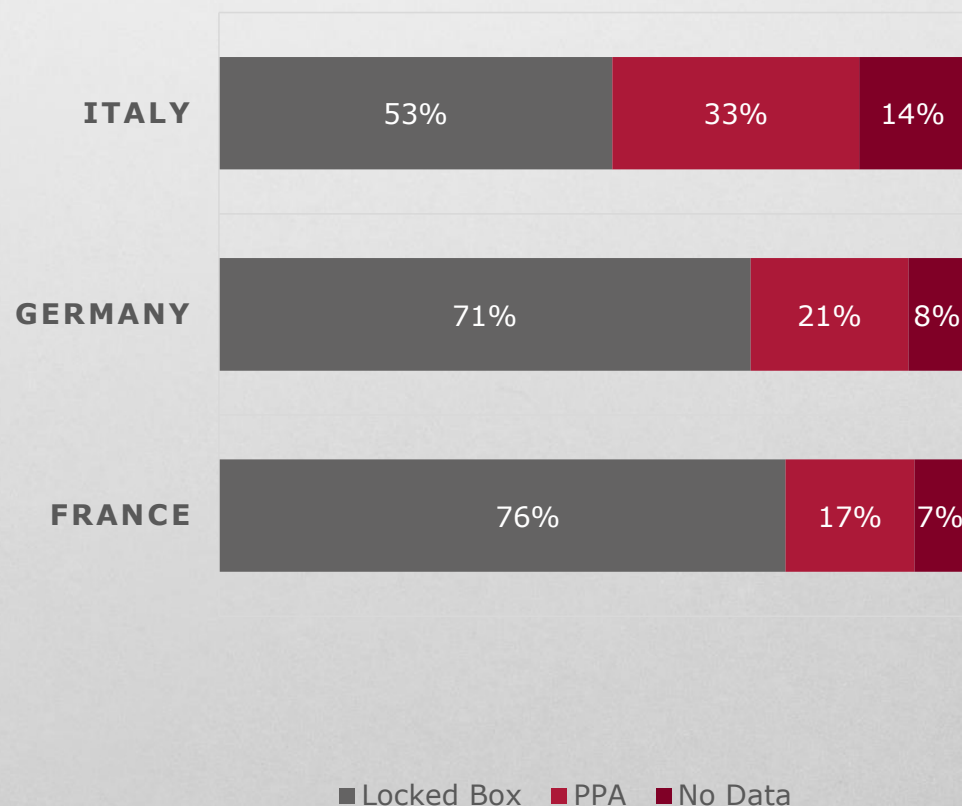
- Purchase Price Mechanics
- Earn-Outs
- Security for Claims
- Warranty & Indemnity Insurance
- Basket Types & Sizes
- Liability Caps
- Sandbagging
- Material Adverse Change
- Limitation Period
- Dispute Resolution



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PURCHASE PRICE MECHANICS

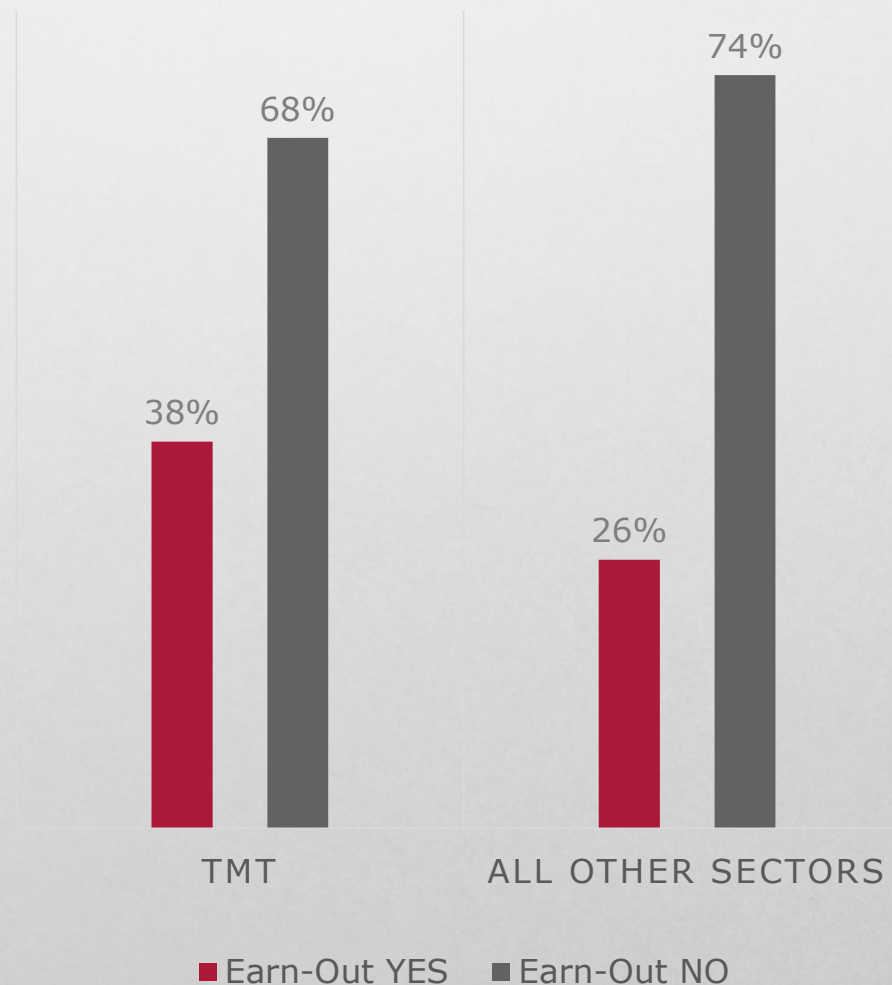
- Locked Box is more common, the frequency of its use remained on the level of 2023:
 - 61% Locked Box
 - 27% Purchase Price Adjustment (referring to closing accounts price adjustment)
 - 11% no data
- Locked Box is prevalent in three major sectors: 65% of Industry, 62% of TMT, and 57% of Life Sciences & Healthcare. For the second year though the frequency of Locked Box in Life Sciences & Healthcare is decreasing: 78% in 2022, 69% in 2023, and 57% in 2024.
- Locked Box is consistently preferred in **Germany**: 71% and **Italy**: 53%. Deals in **France** demonstrated a dramatic return to Locked Box preference: 76% in 2024 vs. 35% in 2023.
- Locked Box is spread among different deal clusters as follows:
 - <5m: 56%
 - 5-50m: 62%
 - larger deals of more than 50m: 69%



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EARN-OUTS

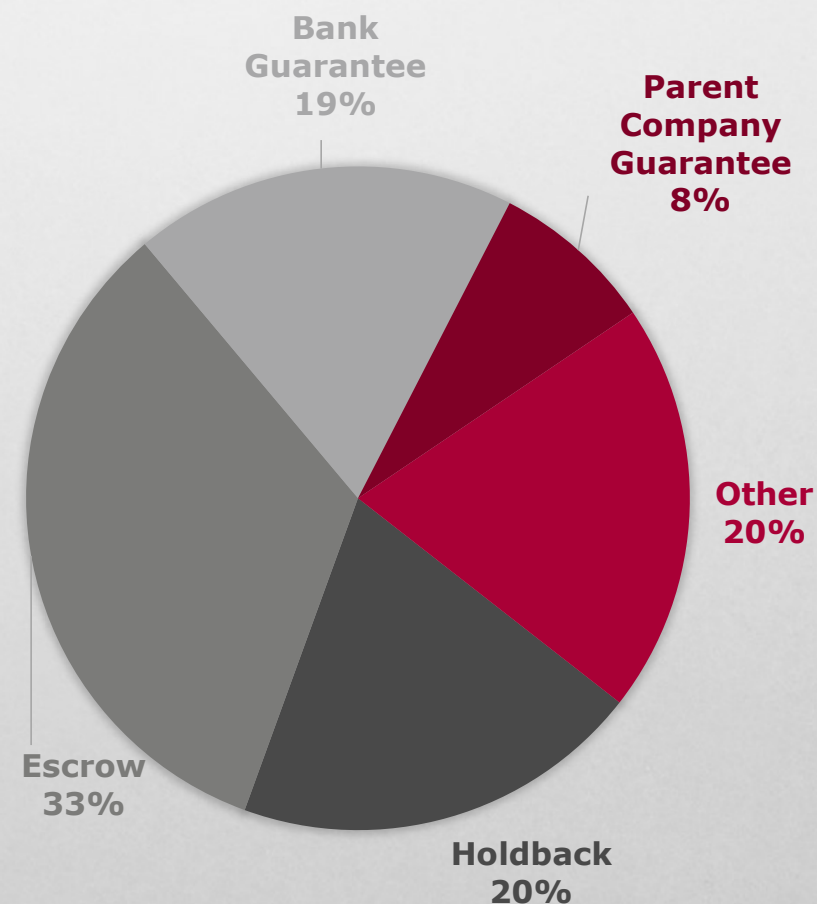
- 28% of transactions provided for an earn-out mechanism in favour of the seller. In comparison with 2023 the percentage of Earn-Outs slightly grew by 4%, still the frequency of Earn-Outs did not return to the results of 2022 (38% in 2022 vs. 28% in 2024).
- Jurisdictions showed different trends in use of Earn-Outs: with decrease in **France** - 24% (vs. 32% in 2023) and **Germany** - 19% (vs. 23% in 2023), and increase in **Italy** - 34% (vs. 20% in 2023).
- Use of Earn-Outs grew by 10% in two deal clusters (5-50m and >100m):
 - <5m: 24%
 - 5-50m: 33% (vs. 24% in 2023)
 - 50-100m: 31%
 - >100m: 25% (vs. 13% in 2023)
- TMT sector still leads in use of Earn-Outs (38%) in comparison with other sectors, however, this is 14% less for TMT sector in comparison with 2023.



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SECURITY FOR CLAIMS

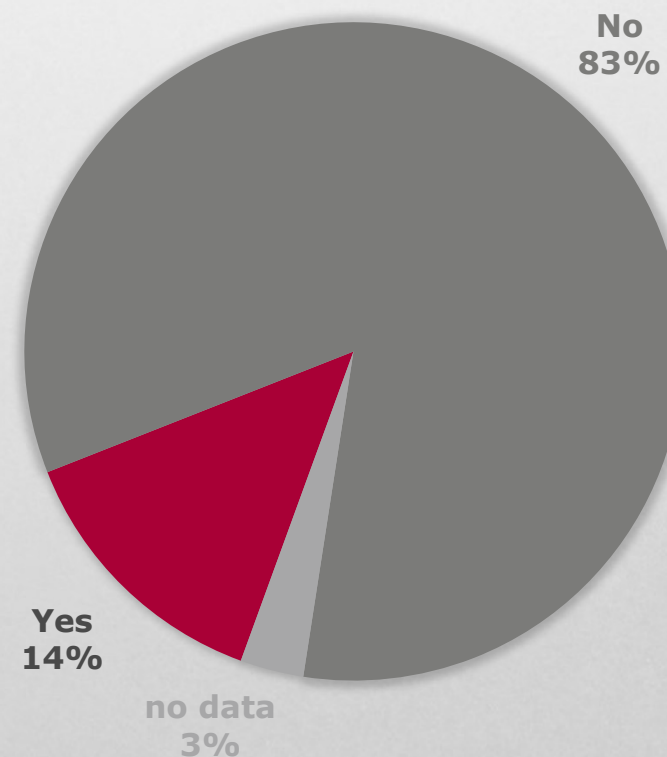
- 39% of transactions provided for some kind of security instrument in favour of the buyer, which continues the decrease trend from previous three years: 78% in 2021, 62% in 2022, 42% in 2023.
- The use of security instruments across three jurisdictions is as follows:
 - **France:** 41% (vs. 59% in 2023)
 - **Italy:** 42% (vs. 39% in 2023)
 - **Germany:** 30% (vs. 33% in 2023)
- The following types of security instruments were used:
 - Escrow: 33%
 - Bank Guarantee: 19% (vs. 31% in 2023)
 - Holdback: 20% (vs. 10% in 2023)
 - Parent Company Guarantee: 8%
 - Other: 20% (incl. Vendor Loan, W&I, Individual Guarantee)
- None of transactions in **Germany** provided for bank guarantee, which is similar with data of previous three years.



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WARRANTY & INDEMNITY (W&I) INSURANCE

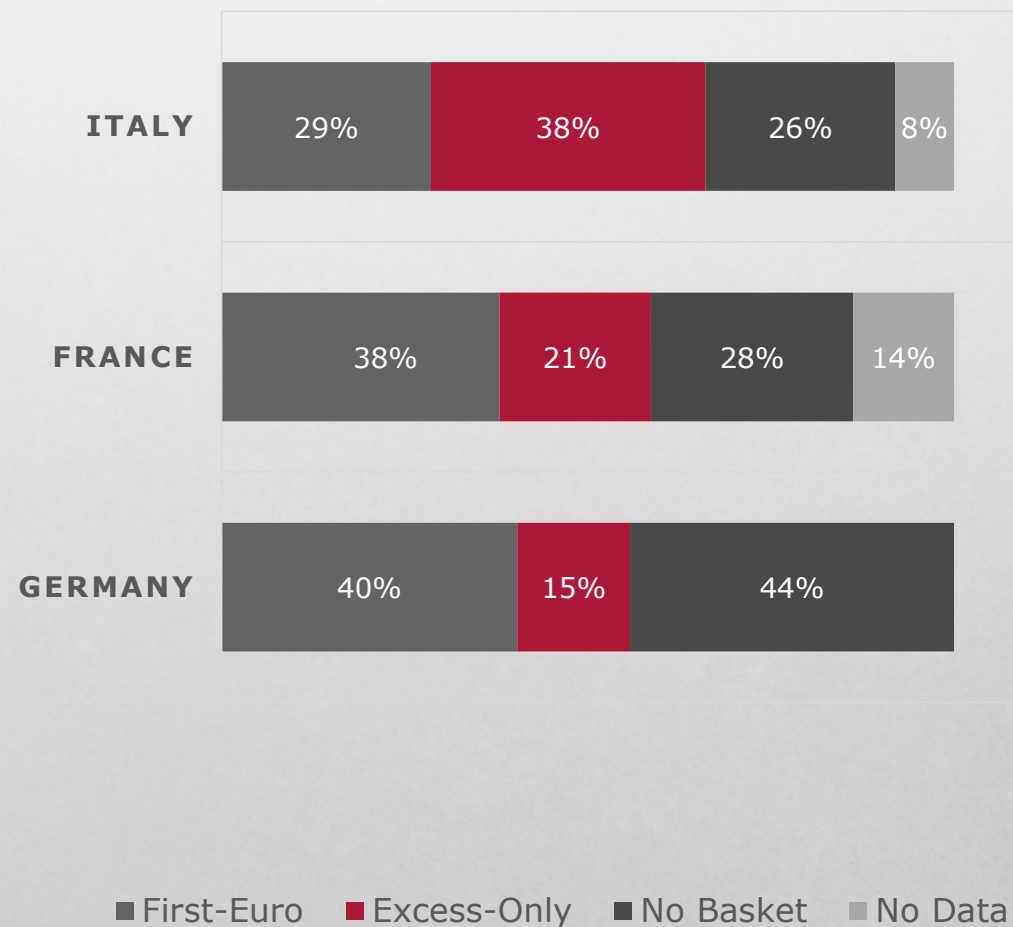
- 14% of deals provided for W&I insurance. The data from previous three years indicates gradual growth in adoption of W&I insurance: 7% in 2021, 9% in 2022, and 11% in 2023.
- In comparison with 2023, in **France** and **Germany** the use of W&I insurance increased:
 - France: 10% (vs. 5% in 2023)
 - Germany: 10% (vs. 4% in 2023)while in **Italy** the use W&I insurance slightly fell:
 - Italy: 16% (vs. 19% in 2023)
- W&I insurance is more often adopted in larger deals:
 - <5m: no W&I insurance
 - 5-50m: 9%
 - 50-100m: 38%
 - >100m: 60%



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BASKET TYPES & SIZES

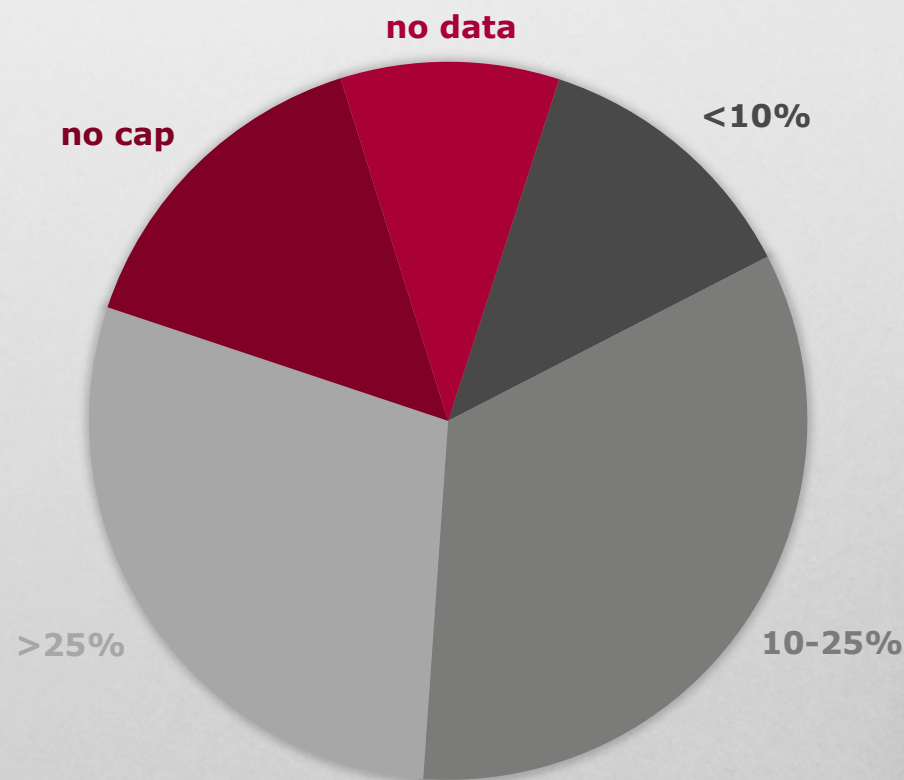
- As in previous years, most baskets in 2024 were on “first euro” basis, even though there is a decrease in its use:
 - First-Euro Basket: 33% (vs. 44% in 2023)
 - Excess-Only Basket: 29%
- As in previous two years, the 45% majority of first-euro baskets are within the window of 0.5-1.0% of the purchase price.
- The allocation of first-euro baskets in different jurisdictions is as follows:
 - **Italy:** 29%
 - **France:** 38%
 - **Germany:** 40%
- Different basket sizes are represented as follows:
 - <0.5%: 25%
 - 0.5-1.0%: 44%
 - 1.0-2.0%: 19%
 - >2.0%: 12%



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LIABILITY CAPS

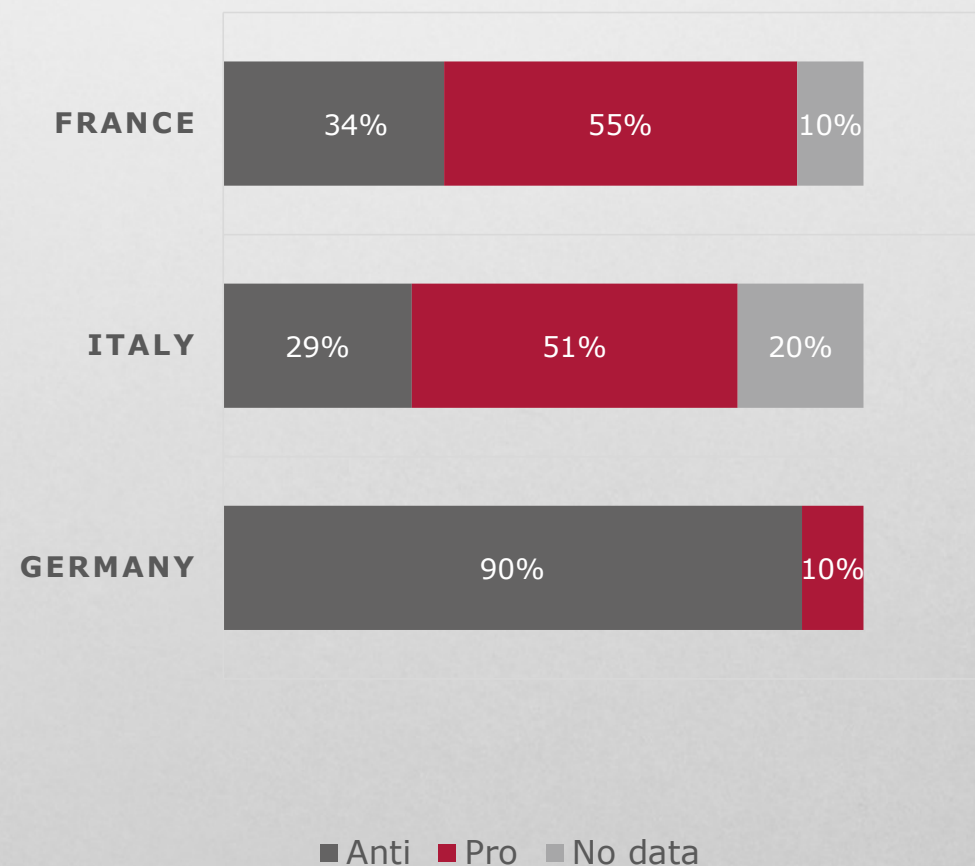
- The allocation of Liability Caps in 2024 is as follows:
 - small caps of <10%: 12%
 - medium caps of 10-25%: 34%
 - larger caps of >25%: 29%
 - no cap: 15%
- Liability caps across jurisdictions:
 - **Italy**: medium caps of 10-25% are preferred in 40% of deals.
 - **France**: medium caps of 10-25% are present in 45% of deals.
 - **Germany**: larger caps of >25% are used in 50% of deals.
- Liability caps when compared with deal sizes are distributed as follows:
 - 36% of larger deals (>50m) stipulate for medium caps of 10-25%
 - 39% of small deals (<5m) have larger caps of >25%



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SANDBAGGING PER JURISDICTION

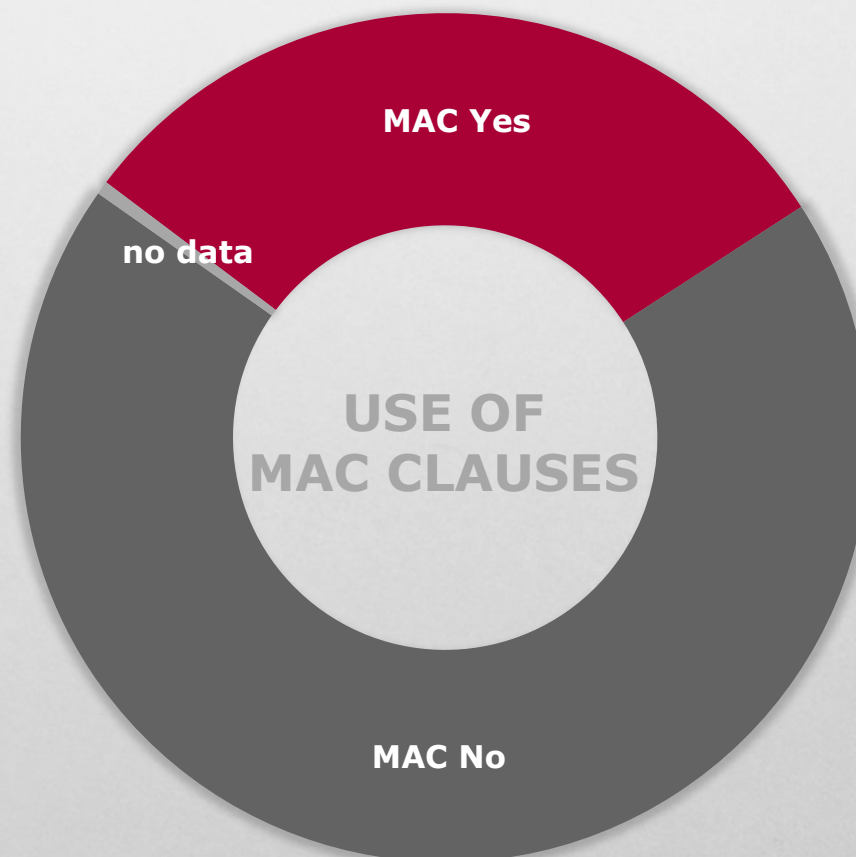
- **France: Pro-Sandbagging**
 - 55% of Altana's transactions allowed sandbagging, entitling the buyer to pursue post-closing indemnification even if the buyer is aware of the breach of representations and warranties before closing.
- **Italy: Pro-Sandbagging**
 - Nctm's practice shows similar inclination, with 51% of deals being pro-sandbagging.
- **Germany: Anti-Sandbagging**
 - Contrastingly, 90% of Beiten's deals were anti-sandbagging, thus providing for limitation of liability for warranty claims.



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MATERIAL ADVERSE CHANGE

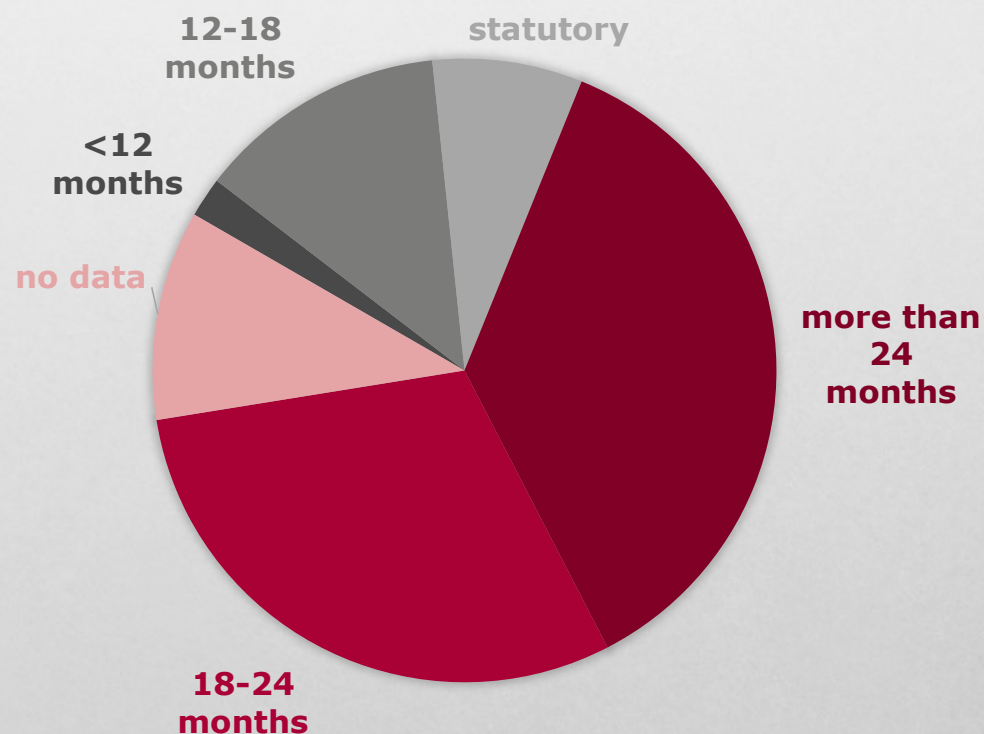
- 31% provided for a Material Adverse Change ("**MAC**") clause, which represents an increase of 5% in comparison with 2023 (26%).
- Transactions in **Italy** show the highest frequency of MAC clause in comparison with other two jurisdictions:
 - 46% of deals in **Italy** use a MAC clause
 - 10% of deals in both **Germany** and **France** use a MAC clause
- MAC clauses are present in different deal clusters as follows:
 - less than EUR 5 million: 19% (vs. 11% in 2023)
 - between EUR 5 and 50 million: 36%
 - larger than EUR 50 million: 39% (vs. 33% in 2023)



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LIMITATION PERIOD

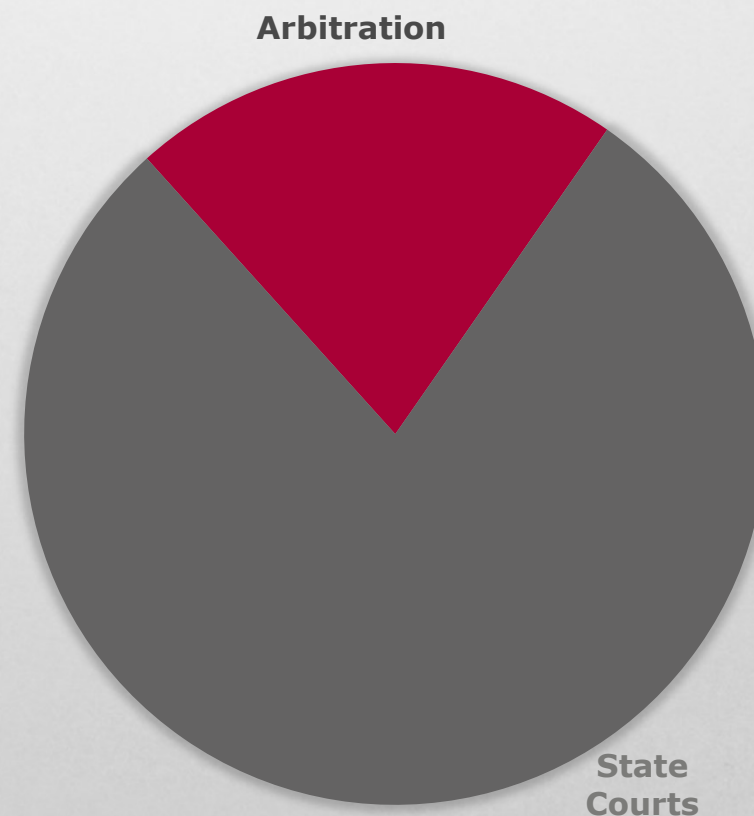
- The following types of limitation periods were agreed:
 - statutory limitation period: 8%
 - limitation period of up to 12 months: 2%
 - limitation period of 12-18 months: 13%
 - limitation period of 18-24 months: 30% (vs. 39% in 2023)
 - limitation period of more than 24 months: 36% (vs. 26% in 2023)
- Increase of longer limitation period (>24mo) might be indicative of buyer-friendly market.
- Among limitation period of longer than 24 months (incl. statutory) the deal clusters are present as follows:
 - <5m: 35%
 - 5-50m: 48%
 - >50m: 16%



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DISPUTE RESOLUTION

- 21% of transactions provided for an arbitration clause, which is the same percentage as in 2023.
- Across the three jurisdictions arbitration is chosen as a forum as follows:
 - **Italy:** 28%
 - **Germany:** 13%
 - **France:** 10%
- The larger the deal size the more parties are inclined to opt for arbitration:
 - less than EUR 5 million: 8%
 - EUR 5 – 50 million: 28%
 - more than EUR 50 million: 31%



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