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# Belgian M&A Predictions 2024

M&A AWARDS 2023

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**Best Venture Capital Deal – Life Sciences 2023**

APHEA bio

**Best Mid Cap Private Equity Exit 2023**

Pauwels Consulting Technology & Science

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**Best Large Cap Corporate Deal 2023**

VOO

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# We take great pride in being the organisers of the unique Women in M&A Community Event in Belgium. As pioneers dedicated to nurturing diversity, we celebrate the outstanding contributions of women in shaping the M&A landscape.



## Women in M&A Community Event

**The Women in M&A Community Event is held twice a year in Belgium**

- **Networking and community building:** We bring together women active in M&A from across the country to empower them through good connections.
- **Inspiring guests:** At each event, we invite subject-matter experts to share insights on a topic relevant to the participants.
- **Cultural venue:** The carefully selected environment provides an informal setting for a pleasant evening with enriching conversations.

"Grateful to have hosted our fourth Women in M&A Community Event at Musée Magritte together with Caroline Breuer. It was inspiring to connect with more than 120 impactful women actively shaping the M&A landscape during a guided tour of René Magritte's masterpieces followed by our networking cocktail and dinner, while Paul Lee, Deloitte's Global Head of Research for TMT, shared the latest trends in digital transformation."

Hilde Wittemans,
Partner M&A Transaction Services
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## Impressions of the fourth Women in M&A Community Event

# Contents

# Introduction

## An optimistic outlook



Strategy, in-depth deal preparation, and due diligence will be more important than ever for M&A in 2024.

Ahead of our predictions by sector, investor type and investment theme, we offer a quick overview of the recurring themes that characterise the Belgian M&A market, setting the scene for more detailed observations in the pages to follow.

In the long run, M&A activity continues to be on the rise, but that trend is punctuated by periodic setbacks arising from factors including global geopolitical and macroeconomic issues. These obstacles in turn establish medium-term cycles, with consequent upturns and downturns in both M&A volumes and values.

When we look at the Belgian M&A markets for 2024, we are rather optimistic, and predict that the year will see increased levels of activity compared to 2023 – albeit with deal volumes remaining below the peaks of the post-pandemic period. Expect to see more preparatory work for deals in 2024, and a rise in the divestment of non-core assets.

In the immediate term, economic factors and global trends will continue to have the greatest impact on the market. According to the European Commission's economic forecast, our economic growth is expected to remain stable at 1.4% as we move into 2024, with inflation projected to reach 4.2%. At the same time, interest rates are also expected to stabilise, though remaining at comparatively high levels.

This relative stability must be set against a backdrop of challenging conditions and a more complex deal environment, including the journey through climate-related energy transition, digitalisation of businesses, an ageing population, a turbulent international environment, and structural challenges in the labour market. The combination of these factors means that the path ahead is unlikely to be smooth.

As such, in depth M&A strategy and deal preparation, as well as due diligence, will become ever more important to M&A. Greater uncertainty and high costs of capital demand a broader spectrum of checks, to provide a reliable picture of risk. DD will not only inform deal price and structure, but also provide comfort and assurance to funding providers. Assessed risks will go beyond commercial, financial, tax and other established factors to include more work on cyber, impacts of technological advances such as AI on business models and processes, demographic changes, global megatrends, and ESG. Some sectors, such as healthcare, stand to benefit; others will see this greater scrutiny as a devaluing threat. Our sector-by-sector predictions highlight the variations within the overall picture for the year ahead.

After you have explored these predictions for 2024, learn more about Deloitte's M&A services, expertise and commitment to steer you through the full M&A lifecycle here.

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# Investor view

# Investor view

## Corporates

> Companies with robust financials are poised to capitalise on market uncertainties and untapped value potential.

In 2024, the Belgian corporate M&A landscape is likely to be shaped by a few key drivers. High funding costs will push companies to focus on improving balance sheet health, divesting non-core assets or activities and optimising the overall investment portfolio. M&A will tend to follow strategic imperatives, with acquisitions and disposals more in areas of the market that disrupt traditional business models, such as digitalisation, energy transition and ESG.

Geopolitical instability and ongoing East/West trade tensions may prompt a shift towards local sourcing and vertical integration, to secure supply chains more swiftly through acquisitions rather than organic growth. Large corporations with robust financials, bolstered by recent high profits or cheaper long-term debt financing, are poised to capitalise on market uncertainties and untapped value potential. These businesses may acquire targets at lower valuations, exploiting the weaker financial positions of competitors.

Despite these drivers of activity, some caution is advised due to the lingering or potential escalation of factors that dampened M&A in 2023: interest rates and recession concerns.

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# Investor view

## Debt & Capital Advisory

Debt remains attractive to finance buy-and-build strategies, and the gap between bank and private debt pricing will tighten.

In 2024, we expect the Belgian M&A financing market to be influenced by more competitive direct lending, resulting in cost-of-debt compression and more attractive alternative deal structures. We'll see vendor loans and earn-outs bridging the gap between buyers and sellers, and a lending focus on more cash-generative and resilient businesses, at lower debt values.

Banks will remain conservative in terms of lending, but will nevertheless remain open to finance M&A and buyouts at competitive pricing conditions. Debt remains attractive to finance buy-and-build strategies, and the gap between bank and private debt pricing will tighten significantly, again leading to more leveraged alternative financing structures.

Debt service capacity will remain vital in debt structuring, not only for the four largest domestic banks that are dominating the market, but also for private debt funds. Shifts in central banks' base rates, alongside external economic shocks, will play a prominent role in debt market activity.

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# Investor view

## Legal

In 2024, FDI regulations and the growing use of W&I insurance will add legal complexity to M&A transactions.

The legal aspects of Belgian M&A present several angles that will affect the certainty and pace of transactions completing in 2024.

The Foreign Direct Investment (FDI) regulations will add complexity to M&A transactions – particularly those involving non-EU entities. Legal teams will need to establish relationships with the new competent authority, and apply additional scrutiny before applying for FDI approvals. This may create deal uncertainty, due to the novelty of these regulations, and lack of standard practices.

The growing and more tailored use of warranty and indemnity (W&I) insurance as risk protection for M&A transactions requires more legal team involvement. Likewise, as the contractual landscape in M&A deals shifts from favouring sellers to buyers, conditions such as material adverse change (MAC) clauses and subject-to-financing clauses will regain favour and introduce more caution into deal-making.

Driven largely by the EU's Corporate Sustainability Reporting Directive, which comes into force from 2024, ESG factors will become increasingly important, and legal due diligence will extend to looking at ESG performance indicators along the value chain of a target company.

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# Investor view

## Private Equity

> We expect more competition for high-growth sectors, such as technology and healthcare.

The Belgian market should see an uptick in PE-backed M&A activity as inflation starts to subside and monetary policy eases. The improvement is less likely to include deals of the scale seen a couple of years ago, however, despite ample dry powder in the market – largely because there are fewer high-quality assets available at current valuations.

There remains a persistent gap between buyers' and sellers' expectations, requiring creative solutions including alternative funding structures, minority investments, earn-outs, and vendor loans. Due diligence requirements will remain challenging – not least because of the risk from financial uncertainties, and the likelihood that funding in the short term remains relatively expensive despite the recent compression of long-term interest rates.

We expect more competition for technology and healthcare assets than those in consumer and industrial markets, but this depends on the specifics of the target and deal. ESG factors resulting from new directives and investor preferences are set to more directly influence deal strategies. Meanwhile, election outcomes in the EU and US, geopolitical tensions and macroeconomic uncertainties will undoubtedly affect the M&A activity in those sectors with a significant global trade element.

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# Investment themes

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# Investment themes

## Future of Energy

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There's untapped value in digitalisation and energy tech. Expect projects enabling energy redistribution and digital collaboration to proliferate.

We predict the hottest topics in the 2024 M&A energy market to be the renewable and electrification segments. Activity will be fuelled by the push for sustainability and net zero, as well as Belgium's undersupply of green energy. Expect transactions enabling energy redistribution and digital collaboration to proliferate.

There's untapped value in digitalisation and energy technologies, and some players will be acquiring businesses delivering software, energy analytics, and innovative grid solutions – the goal being to optimise operations and enable data-driven decisions. Deal activity should include significant levels of cross-sector and cross-border EU collaborations involving technology, industrial, automotive and the financial sector. Favourable regulatory environments, continued subsidies, and geopolitical factors should ensure these markets remain buoyant, and we expect particular outward interest in the USA.

The profile of investors is broadening to include family offices, large private equity firms with longer-term infrastructure interests, and venture capitalists. This diverse investor spectrum will influence the structure of deals, requiring tailored strategies based on investor type and need, including co-investments and financing. A word of caution, however: challenges remain with supply chain risk and limited access to finance at the right price.

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# Investment themes

## Future of Food

We should see larger national deals to build groups that can ward off inbound international competition.

In 2024, M&A activity in the food sector will be buoyed by lower energy and raw material costs leading to improved outturns. The underlying trends of consolidation, scaling and value chain integration will continue, and, in addition to financial investors, we expect the investor profile to include family offices with a stronger acceptance of more volatile markets, given their longer-term horizon.

The trend for carving out and divesting lower-performing assets will continue, and we should also see larger national deals to build groups that can ward off inbound international competition. Some players continue to grapple with the balance between retailing higher-margined branded goods versus private label goods. Likewise, some food producers will rationalise the activities they are involved with, to focus on higher-value returns.

Although healthier food and vegan trends will have some impact on this market, we expect the effect to be minimal. The *taste* of food trumps all other factors, and this segment has yet to settle into predictable consumer buying patterns.

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# Sector view

# Sector view

## Banking & Insurance

Attention should be given to generative AI, rising levels of fraud, and greater stakeholder pressure.

In 2024, the most pressing factors for the Financial Services Industry will continue to be the constrained economy, high interest rates, tighter money supply, and geopolitical tensions. Attention should also be given to tech advances such as generative AI, rising levels of fraud, and greater stakeholder pressure.

In **banking**, the major influences will be the ever-increasing pressure to manage regulatory oversight, improve yields, lower operational costs, deal with talent shortages, and achieve greater scale and diversification. The result will be further transformation, consolidation and M&A activity, plus a continued search for new sources of investment value. Aside from this inorganic growth activity, expectations for revenue growth from existing operations are modest, but stable.

The **insurance** sector is experiencing similar economic, market and technological challenges, but these are compounded by the rising frequency and severity of risks to be covered and claimed upon, including newer classes such as climate change and cyber. Business models are evolving to feature more preventative than claim-based activity, with greater focus on customer experiences through the insurance lifecycle. These factors are likely to prompt M&A in pursuit of improvements to business activities, outcomes and returns.

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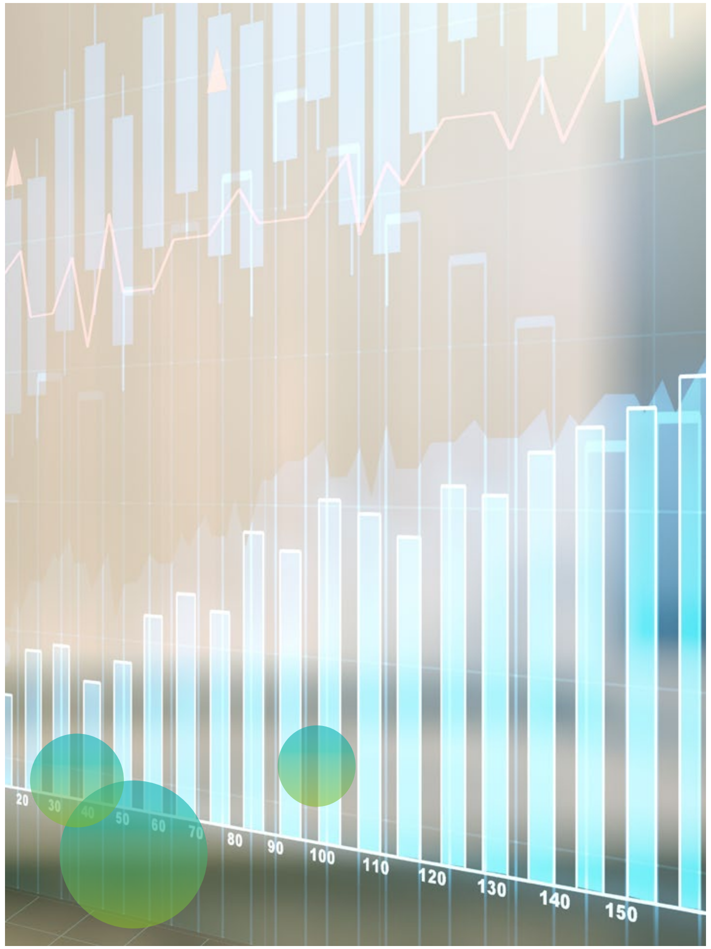


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# Sector view

## Consumer

Established players are likely to collaborate with agile, innovative scale-ups.

The 2024 M&A market for Consumer will be driven by increased optimism, more favourable economic conditions, and strategic transformations aligned to technology and sustainability commitments. The 2023 cash flow challenge that impaired and slowed deals should be replaced by stable inflation and rising consumer confidence, which in turn should stimulate M&A activity. Established players are likely to collaborate with agile, innovative scale-ups to achieve their ambitions.

Within that context, certain segments merit further analysis. In Consumer Products & Retail, we expect more transaction interest in healthier options for food and non-food products (e.g., beauty and lifestyle services), to accord with ESG investment preferences, as well as further consolidation in food retailing.

In the Automotive and Transport segments, we should see a continued transition towards carbon reduction through enhanced business models that support the Connected, Autonomous, Shared and Electric (CASE) vision for the future. Steps will also be taken to shorten transportation distances in supply chains, through acquisition and collaboration.

Alongside M&A, we also anticipate increased carve-out activity as companies seek, for example, to offload undesirable business units and optimise their business models.

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# Sector view

## Energy, Resources & Industrials

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The energy transition and security of supply concerns are driving large amounts of capital into the market.

The Belgian ER&I M&A market is driven by many factors and is poised for further change. ESG is at the forefront, with companies looking to acquire expertise to support their ongoing transition to greater sustainability, to comply with new regulatory and reporting requirements, or to improve their competitiveness relative to other regions. Companies will continue to invest in decarbonisation and digitalisation, and the drive toward a more circular economy will further encourage them to pursue closed-loop opportunities throughout the value chain.

The energy transition and security of supply are driving large amounts of capital into the market, requiring companies to transform and in some cases completely redesign their business models.

M&A activity is supporting large infrastructure projects in offshore wind, battery storage, hydrogen, and mining – particularly through partnerships and joint ventures to leverage different capabilities.

Investments are largely directed towards innovative technologies with longer investment cycles, potentially leading to more structural transformation carve-out activity in 2024, to separate different business ambitions and risk profiles. As Belgian production is expected to continue to decline in the short term before stabilising mid-year, companies will focus on growing their recurring revenue base through after-sales or consulting services. High interest rates and moderate inflation will continue to weigh on margins, driving the acquisition of new technologies to achieve greater operational efficiency.

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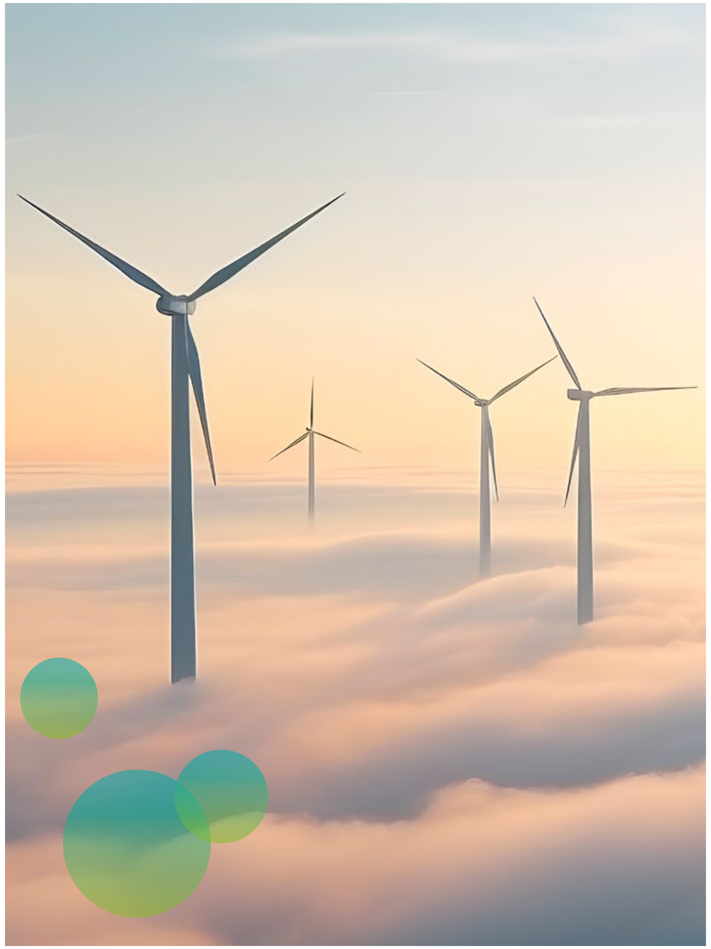

# Sector view

## Government & Public Services

In the government and public sector, the emphasis will be on the long-term collective interest, not short-term returns.

The outlook for M&A activity in the government and public sector points to a shift towards long-term strategic investments. These will include defence, energy transition, utilities, decarbonisation, AI/tech digitalisation and cyber risk management, and the emphasis will be on the long-term collective interest, not short-term returns. The ESG-related areas of most interest will be sustainable infrastructure (including transport and mobility) and initiatives delivering positive social impact (including affordable housing).

These investments will be driven by the development of sovereign wealth funds at both federal and regional level, alongside greater partnering between the public and private sectors. We expect a broad spectrum of Public-Private collaboration, from complex outsourcing arrangements to collaborative joint ventures – genuine co-investment in projects to drive maximum value.

Indeed, most investments will target long-term sustainable societal benefits, presenting opportunities for private sector involvement in projects ranging from financing new capital assets or releasing value from underused assets, to the privatisation, divestment or carve-out of government business units or enterprises.

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# Sector view

## Healthcare

We expect healthcare M&A to accelerate, amid financial, economic and talent pressures.

We expect ongoing activity in the non-cyclical healthcare sector, with different trends per segment. For hospitals, the journey towards greater integration and collaboration should continue, to improve patient outcomes and achieve economies of scale. We expect M&A to accelerate, despite financial, economic and talent pressures such as public funding constraints, inflation, and staff shortages.

The care home segment must address negative perceptions around unethical practices at the expense of care quality, while demand is expected to grow in line with the needs of an ageing population. Sizeable assets are announced to come to the market in 2024, and some mid-size groups in the hands of private owners remain potentially interesting targets for larger players.

Areas of new or renewed investment activity within healthcare will involve buy-and-build consolidations of speciality and fragmented markets, such as ophthalmology, medical imaging, aesthetic surgery clinics, and animal care.

Further digitalisation will also support more care-at-home activity, and accelerate the trend towards preventative care – two crucial areas for the transformation of the Belgian care model.

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# Sector view

## Life Sciences

In 2024, it'll be a case of balancing the portfolio between established and emerging technologies.

The major players in life sciences are streamlining portfolios to shed non-core assets, possibly leading to carve-out transactions in 2024. These assets are likely to be substituted with scale-ups with a strong R&D focus and pipeline – particularly in next-gen therapies and biotechnologies, such as mRNA, CAR-T, gene editing, microbiome therapeutics, synthetic biology, bioprinting, and nanotechnology. In line with 2023, a lower number of available assets may be compensated by a higher average value for much-wanted targets.

Such early-stage companies may present valuation and funding challenges, as they tend to have little or no track record, and operate in novel segments with few comparators. The more stable and positive yields in life sciences are deemed to be in businesses with treatments and services that lean towards the needs of ageing populations, such as remote diagnostics, tele-medicine and wearable devices, and those that focus on the increased digitalisation of processes and digitisation of records. In 2024, it's a case of balancing the overall portfolio for risk and return between established and emerging technologies.

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# Sector view

## Technology, Media & Telecommunications



Further divestment of non-core telco assets will create opportunities for infrastructure players.

In 2024, the Belgian TMT market should see a nuanced evolution in deal activity, with macroeconomic challenges leading to fewer high-value transactions. Overall, there's room for optimism, reflecting gradual economic improvement and the start of lowering rates early in the year.

We expect to see telcos' continued focus on sustaining and improving core telecommunication offerings while moving away from non-core elements such as network infrastructure. Divestment of assets such as data centres and real estate will thus create opportunities for infrastructure players.

Furthermore, we expect telcos to expand their service portfolios beyond traditional telecom offerings, trying to serve the end customers more broadly and therefore potentially leveraging M&A for growth. The addition of Digi/Citymesh as a fourth telecoms provider will of course also affect market dynamics.

In the technology segment, we expect valuations of tech scale-ups to remain under pressure, which will hamper fundraising. On the other hand, the continued focus on investments related to sustainability and the greening of the economy, combined with increased attention and funding from local and European government bodies, should boost M&A activity.

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# Sector view

## Real Estate

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The market outlook appears positive, underscored by an increased focus on qualitative and sustainable assets.

This year, the Belgian real estate M&A market will again be shaped by interest rates and the cost of finance. Although the interest rate curve is expected to flatten, questions remain around the acceptable market yield for real estate transactions. Without major disruptive events, such as the collapse of a major developer or a geopolitical shock, we anticipate 2024 transaction levels to be in line with those of 2023, but with a positive outlook.

The ever-increasing importance of ESG aligns with the evolving market dynamics, and addresses the expectations of both investors and consumers. The continued reshaping of offices to meet new ways of working can therefore be expected. In the residential asset class, we expect to see a further emphasis on qualitative, sustainable and affordable housing, and higher transaction volumes than 2023.

We anticipate more institutional and private investors will enter the market. This may guide developers towards residential block sales; despite lower margins, there's value in releasing equity, and it allows developers to launch new projects adapted to changing market dynamics. Additionally, we anticipate significant growth potential in the asset and property management sector, driven by IT solutions and market demand.

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# A limited selection of our 2023 credentials across industries

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**Corporates**
Deloitte provided financial and tax vendor due diligence services for VOO for the sale to Orange

**DCA**
Deloitte provided finance services to strada on the acquisition of axi

**PE**
Deloitte provided corporate finance services on Merkator for the sale to Sofindev

**Future of Energy**
Deloitte provided commercial due diligence and strategy services to elia on the acquisition of energyRe

**Banking & Insurance**
Deloitte provided financial and tax vendor services on sdworx for the investment from CVC Capital Partners

**Consumer**
Deloitte provided corporate finance and legal services on whyte corporate affairs for the sale to finco Private Equity

**ER&I**
Deloitte provided commercial due diligence and strategy services to Jungheinrich on the acquisition of Storage Solutions

**LSHC**
Deloitte provided financial and tax due diligence services for Orelia Cofinimmo on the acquisition of Les Jardins d'Ameline

**TMT**
Deloitte supported Telenet with preparation of carve-out financials, financial due diligence and legal services on Telenet's contribution in Wyre, a joint-venture with Fluvius

**Real Estate**
Deloitte provided end-to-end sell-side transaction services to ethias for the sale to care property invest

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In Belgium, Deloitte has more than 5,900 employees in 11 locations across the country, serving national and international companies, from small and middle-sized enterprises, to public sector and non-profit organisations. The turnover reached 786 million euros in the financial year 2023.

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