Mergers & Acquisitions: will 2022 be another record year?

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2021 was an exceptional year for the Mergers & Acquisitions business with more than €5,000 billion in transactions worldwide. Marc Vincent, Global Head of M&A at Natixis CIB, outlines the reasons behind the success of the company's multi-boutique model and gives us his take on the market and the outlook for 2022.

What makes Natixis CIB's model stand out?
I like the expression "act local, think global", as it accurately describes the way we do business. Natixis CIB's M&A business grew gradually from 2015 with the very unique development of our multi-boutique model. Rather than building up an inhouse team, we decided to single out a number of companies in certain countries and business sectors with a view to working with them as partners.

So we developed a group of affiliates, controlled by Natixis CIB as the main shareholder, but where each boutique maintains its identity and preserves its leeway. Each affiliate can therefore stay close to the culture on its specific market, while together forming a coherent group that works in a coordinated manner, all based on the Natixis M&A Partners name.

The second key feature of our model is one that I hold very dear – the focus on excellence of execution. This is the crucial priority for our clients, and they particularly welcome the support from our experienced staff at each stage in the mandates entrusted to us.

How did you develop this worldwide network?
It all started in Europe in 2015 with the acquisition of the French boutique Leonardo & Co, which became Natixis Partners. 360 Corporate – rebranded Natixis Partners Iberia – then bolstered our presence in Spain in 2016.

We also extended our coverage in the US in 2016 with the acquisition of PJ Solomon, which kept its name as it has a strong brand image, until very recently when we drew on its very strong growth and the arrival of new partners to rebrand as Solomon Partners.

We developed into China in 2018, which is another key market for Natixis CIB, as we acquired Vermilion Partners, which has a strong local presence. We also extended our area of expertise to financial institutions with London-based firm Fenchurch, and to tech, with Clipperton, which operates in both France and Germany.

Lastly in 2019, we rounded out our set-up with the acquisition of Azure Capital in Australia, which specializes in infrastructure and natural resources.

What are your goals going forward?
With 380 partners, revenues of €210 million in 2020 and robust revenue growth in 2021, we have now achieved a respectable size and made spectacular progress in the space of just a few years. We are No.9 in France in volume terms and No.5 in number of transactions in the Refinitiv rankings, which cover the M&A market.
Our aim now is to continue to expand, with a particular focus on recruiting new talents. We have also developed non-capitalistic partnerships on high-potential markets on occasion, for example with two such non-capitalistic and non-exclusive partnerships in September 2021 with LBBW in Germany and Tyndall in Chile.
Going forward, we will pursue our highly selective approach, focusing on high-growth sectors where we boast strong expertise, such as infrastructure, tech and healthcare.

Why was 2021 such an exceptional year?
Record volumes in 2021 can be attributed to our clients' renewed confidence, as they incorporated the pandemic situation as the new normal. Activity started to pick up in the second half of 2020 and further accelerated in 2021, fueled by the economic recovery and a highly active US market, which soared 70% and included a large number of so-called mega deals.
A certain number of sectors continued to display very lofty valuation multiples – such as tech and healthcare – reflecting the major growth potential they harbor. These sectors have proven their resilience and potential against a challenging backdrop and are well valued by investors.

In this extremely positive environment, we conducted a large number of spectacular deals in 2021. By way of example in the United States, Solomon Partners advised EDF on its exit from the nuclear industry, while Azure Capital and Solomon Partners advised on the disposal of Hawaiki, which develops submarine cable systems connecting Australia, the US and Hawaii, to a US group.

Other landmark deals include Engie's disposal of its renewable energy investment platform in Australia, supported by Azure Capital, and Silverfleet's disposal of Coventya, advised by Natixis Partners. Meanwhile in China, Vermilion Partners supported Tereos' sale of two joint ventures in the country, as well as China Three Gorges' acquisition of Alcazar Energy Partners. Looking to Europe, in Spain, Natixis Partners Iberia advised Cinven on the acquisition of Ufinet, in the UK, Fenchurch advised JC Flowers on the sale of interactive investor to abrdn, and in France, Clipperton advised Merieux Equity Partners for the fundraising by Dental Monitoring.

Has the pandemic crisis not affected the M&A sector?
As I mentioned, our clients have now taken on board this new situation and are pursuing their endeavors once more. The pandemic crisis first and foremost changed the way we do our job. More and more transactions are being conducted digitally and

due diligence has even been carried out by drone, which would have been unimaginable several years ago. I am convinced that the pandemic has major implications for boards of directors, and it will offer a range of opportunities in terms of external growth.

Are you optimistic on 2022?

It would be surprising if 2022 were as exceptional as 2021 – I have never seen two record years in a row in the past. We are witnessing a number of disruptive factors in the market with inflation, commodities prices, disruptions in the transformation chain, and these are set to affect some of our clients.

A rate hike would up the cost of transactions and slow activity, but I think that interest rates will edge up relatively slowly. Countries have notched up debt as a result of the pandemic, so they will seek to safeguard their recovery.

Against this backdrop, market conditions remain very buoyant, with plentiful liquidity. Private equity in particular is set to keep on growing in my view, as it offers higher returns, and is really becoming a key asset class. Meanwhile the challenges faced by our clients can also be sources of opportunity.

I think that we will see more major international transactions led by French groups – I believe that 2022 will herald a return to cross-border heavyweight deals, particularly between Europe and the US, as groups have now recovered their ability to conduct these.

We have a substantial transaction pipeline for each of our boutiques, and the year is getting off to a good start with a high number of active proposals. So I am broadly confident on M&A activity for 2022.

Are you observing growing interest in deals with ESG criteria?

Absolutely. Our clients are increasingly focused on the ESG impact of their acquisitions, and we systematically take on board this ESG dimension in our proposals, with support from our Green & Sustainable Hub.

Will changes in your shareholder structure unlock further synergies with Groupe BPCE?

Yes, as part of the move to simplify our organizational structure, Groupe BPCE has set up an international division, Global Financial Services, directly reporting to it and housing IB with Natixis CIB – which includes M&A – and asset and wealth management with Natixis Investment Managers and Natixis Wealth Management. We have also initiated a number of cooperative M&A initiatives with the Banque Populaire and Caisse d'Epargne banks, where initial results are promising.