Global Legal Insights

Mergers & Acquisitions

2020

Ninth Edition

Editors:

Lorenzo Corte & Scott C. Hopkins

global legal group

Global Legal Insights
Mergers & Acquisitions

2020, Ninth Edition
Editors: Lorenzo Corte & Scott C. Hopkins
Published by Global Legal Group

GLOBAL LEGAL INSIGHTS – MERGERS & ACQUISITIONS

2020, NINTH EDITION

Editors
Lorenzo Corte & Scott C. Hopkins, Skadden, Arps, Slate, Meagher & Flom (UK) LLP

Head of Production
Suzie Levy

Senior Editor
Sam Friend

Sub Editor
Megan Hylton

Group Publisher
Rory Smith

Chief Media Officer
Fraser Allan

We are extremely grateful for all contributions to this edition.
Special thanks are reserved for Lorenzo Corte & Scott C. Hopkins of Skadden, Arps, Slate, Meagher & Flom (UK) LLP for all of their assistance.

Published by Global Legal Group Ltd.
59 Tanner Street, London SE1 3PL, United Kingdom
Tel: +44 207 367 0720 / URL: www.glgroup.co.uk

ISBN 978-1-83918-053-8
ISSN 2048-6839

CONTENTS

FROM THE PUBLISHER

Dear Reader,

Welcome to the ninth edition of *Global Legal Insights – Mergers & Acquisitions*, published by Global Legal Group.

This publication provides corporate counsel and international practitioners with comprehensive jurisdiction-by-jurisdiction guidance to mergers and acquisitions regulations around the world, and is also available at www.globallegalinsights.com.

The chapters, which in this edition cover 20 jurisdictions, provide detailed information for professionals dealing with mergers and acquisitions.

As always, this publication has been written by M&A lawyers and industry specialists, for whose invaluable contributions the editors and publishers are extremely grateful.

Global Legal Group would also like to extend special thanks to contributing editors Lorenzo Corte and Scott C. Hopkins of Skadden, Arps, Slate, Meagher & Flom (UK) LLP for their leadership, support and expertise in bringing this project to fruition.

Rory Smith
Group Publisher
Global Legal Group

Ireland

Alan Fuller, Aidan Lawlor & Elizabeth Maye
McCann FitzGerald

Overview

Overall, M&A activity in Ireland remained robust in 2019 with strong deal-flow and healthy transaction values recorded. However, the performance of Irish M&A in 2019 did not quite reach the heights of recent record-breaking years and saw an overall reduction in transaction volume when compared with previous years. This decrease in activity should be viewed against the backdrop of a global decline in M&A activity in 2019, which was down 6.9%, according to Mergermarket, on an exceptional 2018 as a result of numerous macro-economic global headwinds, including mounting international trade wars and slow global economic growth, which had a moderating impact on M&A. As regards the Irish experience, it seems that continued uncertainty throughout 2019 relating to Brexit, its impact on Ireland and the future trading relationship with the United Kingdom inhibited M&A activity to a certain degree, although perhaps not as much as had originally been anticipated as investors and deal-makers became accustomed to operating in an uncertain environment. On the whole, Ireland can be seen to have performed quite strongly when viewed in the context of European M&A activity for the year, which witnessed a reduction in both deal value and deal count and accounted for just 23.1% of global deal-making by value in 2019, which is the lowest annual share of European M&A on record according to Mergermarket.

The comparative strength of the Irish M&A market in 2019 was underpinned by a healthy Irish economy which proved remarkably resilient in the face of significant economic and political uncertainty, and the strong pace of growth it has demonstrated in recent years continued apace with the Central Bank of Ireland ("**CBI**") estimating that GDP grew by 6.1% in 2019. This growth has been driven primarily by sustained gains in employment and associated rising incomes which have supported domestic economic activity. Consequently, consumer spending as well as building and construction investment also increased strongly during 2019.

Prior to the outbreak of the COVID-19 pandemic, the CBI had indicated that, although the pace of economic expansion experienced in recent years was likely to gradually slow down, the outlook for economic growth in Ireland remained broadly positive and GDP growth of 4.8% had been forecast for 2020. Evidently this forecast no longer holds true as Ireland continues to attempt to contain the virus and to deal with the economic fallout from it, and we address the potential impact of this unprecedented health crisis in the final section of this chapter.

Turning to the statistics for 2019, there was a total of 426 deals announced during the year involving an Irish party, which was a reduction of 7% compared to 2018 according to recent data from Experian. The total recorded transaction value of Irish M&A deals amounted to a healthy €85bn in value, largely due to a small number of big ticket transactions, such as the $63bn acquisition of Allergan plc by AbbVie and Flutter Entertainment plc's acquisition of The Stars Group Inc. (both discussed in further detail below) which somewhat skew this headline figure.

In this regard, it might be noted that although the top 10 private M&A deals by value in 2019 accounted for approximately 84% of the overall disclosed private deal value for the year, as with previous years, the vast majority of deals that made up the overall Irish M&A deal volume in 2019 were mid-market deals with in excess of 80% of all deals disclosing values of less than €100m according to research by Investec Corporate Finance.

The sector of the economy that oversaw the largest number of transactions in 2019 was the technology, media and telecommunications sector with the continuing attractiveness of Irish offerings in this sector largely attributable to Ireland's highly creative and talented workforce, open economy and competitive corporate tax environment. These positive features of the Irish technology landscape have resulted in eight of the top 10 global information technology companies establishing a significant presence in Ireland and have also driven an increased interest in Irish technology businesses and assets in recent years.

Private equity continued to feature prominently in Irish deal-making in 2019 as evidenced by the year-on-year increase in the number of deals with a private equity aspect to their funding up from 80 in 2018 to 91 last year according to research by Experian. Similarly, Investec reported that six of the top 10 private M&A deals in 2019 involved private equity buyouts or private equity-backed buyers. This is in line with trends seen across Europe in 2019, where buyout activity continued to grow as private equity firms looked to take advantage of rising investment opportunities and to deploy the huge amounts of "dry powder" available to them following a number of years of strong fundraising.

Significant deals and highlights

At the forefront of Irish M&A transactions in terms of deal value for 2019 was the acquisition announced in June of Allergan plc, the Irish domiciled and US-listed manufacturer of pharmaceuticals including Botox, by US-based and listed pharmaceuticals company AbbVie in a cash and stock transaction with a transaction equity value of approximately $63bn. Remarkably, this deal represented the third-largest deal in the world last year according to Mergermarket and, having recently completed, is set to create a diversified biopharmaceutical leader in the sector with an enhanced drug pipeline and growth platform.

As regards other notable deals in the Irish public M&A market, late July saw the announcement by Green REIT, which was the first real estate investment trust to float on the Irish stock exchange in 2013, of its intention to sell to a subsidiary of UK private equity firm Henderson Park for €1.3bn. This transaction successfully completed later in 2019 by way of a High Court-approved scheme of arrangement and saw Green REIT delisted from the London and Dublin stock exchanges. Also in July, The Blackstone Group Inc., the listed US-based private equity firm, agreed to acquire the European distribution business of CRH plc, Ireland's largest company and involved in the manufacture and distribution of building material products, for an enterprise value of €1.64bn. The deal was billed by some commentators as Ireland's largest buyout in almost a decade.

Elsewhere, the merger between Irish headquartered Flutter Entertainment plc (formerly Paddy Power Betfair) and Canadian-based The Stars Group Inc. was announced in October for a reported value of between €6.2bn and €9.5bn (depending on the source). The combined annual revenues of these companies would have totalled £3.8bn in 2018, meaning this deal will see the merged entity becoming the world's largest online betting and gaming operator and is the latest deal in a wave of consolidation activity in the online gambling industry in recent years as businesses seek to scale up to benefit from synergies.

As regards inbound M&A activity in the private sector more generally, despite a decline in overall deal value, there was a 4% increase in the number of inbound deals according to data from Refinitiv. Significant transactions in this space included the acquisition by US-based global investment firm, Avenue Capital Group, of an undisclosed stake in Castlehaven Finance, an Irish-based alternative development property lender, from UK-based private equity firm, Pollen Street Capital, for a minimum consideration of €250m, and Sovereign Capital's exit from Ireland-based insurance brokerage house Arachas Corporate Brokers for a reported €250m.

The following table, produced by Experian, sets out the top 10 deals which took place in Ireland last year:

Date	Consideration (€m)	Deal type	Target	Bidder
25/06/2019	55,000	Acquisition	Allergan Plc, Dublin	AbbVie Inc, USA
02/10/2019	6,225	Acquisition	The Stars Group Inc., USA	Flutter Entertainment Plc, Dublin
16/07/2019	1,640	IBO	CRH Europe Distribution business, Dublin	The Blackstone Group, USA
14/08/2019	1,340	IBO	Green REIT Plc, Dublin	HPREF Dublin Office Bidco Ltd, Dublin
11/02/2019	1,300	Acquisition	Accudyne Industries LLC, USA	Ingersoll-Rand Plc, Dublin
15/10/2019	1,300	Acquisition	Cooper Lighting LLC, USA (from Eaton Corp Plc, registered in Dublin)	Signify NV, the Netherlands
31/03/2019	1,068	Acquisition	MG LLC, USA	Willis Towers Watson Plc, Dublin
22/07/2019	853	Acquisition	Souriau SAS, France	Eaton Corp Plc, Dublin
18/11/2019	850	Acquisition	Rodin Therapeutics Inc, USA	Alkermes Plc, Dublin
09/05/2019	664	Acquisition	Ranir Global Holdings LLC, USA	Perrigo Co Plc, Dublin

(*Source: Experian, 2019*)

In line with previous years, the most prevalent type of transaction according to Investec was the acquisition of a foreign target by an Irish headquartered company, which transactions represented *c*.64% of deal value recorded. It was further reported by Refinitiv that such outbound acquisitions reached a three-year high last year, despite a decline in the overall number of transactions. This is due in large part to the sizeable Flutter transaction previously discussed which topped the outbound deals list by some distance.

Other noteworthy outbound deals included the acquisition by Irish-based ION Investment Group Limited of a majority stake in Acuris, the UK-based provider of global news, intelligence, analysis and data, for an estimated enterprise value of £1.35bn as well as the acquisition by Irish-headquartered but US-listed technology company Aptiv of German microduct system manufacturer gabo Systemtechnik for €283m.

Domestic M&A also experienced a strong year, totalling a six-year high of $4.8bn and marking an increase of 22% on the 2018 in-market deal count according to data from Refinitiv and Investec. Notable deals in this space included the sale by the Carlyle Group and Cardinal Capital Group of Payzone, Ireland's largest consumer payments network, to Allied Irish Bank and First Data as well as three separate hotel acquisitions (The Kildare

Hotel, Spa and Country Club, the Powerscourt Hotel and Druids Glen Hotel & Golf Resort) which topped the Mergermaket league table of domestic deals for 2019.

In terms of Irish deals involving private equity funding in 2019, transactions of note included the Blackstone acquisition referenced above and the sale of aviation services firm ASL Aviation Holdings to UK house STAR Capital Partnership for €208m. As with the previous year, there were also a number of private equity exits in 2019 as funds continued to successfully monetise investments made around 2013/2014 in the wake of the financial crisis. These included Sovereign Capital's exit from Arachas Corporate Brokers and the sale by the Carlyle Group and Cardinal Capital Group of Payzone, both mentioned above.

Key developments

Merger control

Merger control thresholds

As reported last year, the financial thresholds which trigger a mandatory notification of a transaction to the Irish Competition and Consumer Protection Commission (the "**CCPC**") were increased to: (i) €60m (up from €50m) for the aggregate turnover in Ireland of each of the undertakings involved the transaction; and (ii) €10m (up from €3m) for the turnover in Ireland of each of at least two of the undertakings involved in the transaction (in both cases relating to turnover in the undertaking's last financial year).

The revised thresholds took effect from 1 January 2019 and resulted in a 52% decrease in merger notifications for 2019 when compared to 2018, with filings dropping from 98 in 2018 to 47 in 2019. The reduced number of notifications was reflected by a reduction in the number of notifications of relatively small transactions in sectors such as motor fuel (retail/wholesale) and groceries (retail/wholesale) which would previously have been notifiable to the CCPC but were not likely to raise competition concerns.

The changes mean that prospective purchasers of smaller Irish businesses can now avoid the administrative burden and costs associated with a merger notification as well as the deal uncertainty that stems from the requirement to obtain regulatory approval. However, it might be noted that the reduction in the number of notifiable deals in 2019 does not appear to have translated into a swifter assessment of deals by the CCPC, with the timeframe for issuing a determination for non-extended Phase 1 investigations averaging 24.7 working days, which is similar to the timeframe in 2018.

Simplified merger notification procedure

A merger control measure that is likely to shorten review periods for mergers in Ireland is the recent introduction of a simplified procedure for the notification of mergers that meet the relevant financial thresholds but which do not raise competition concerns in Ireland (the "**Simplified Procedure**").

The CCPC first announced its decision to introduce the Simplified Procedure on 14 June 2019 and, following a consultation process held in the latter part of 2019 during which the CCPC sought the views of industry stakeholders, it announced on 8 May 2020 that the Simplified Procedure would commence on Wednesday 1 July 2020.

Details of the Simplified Procedure are set out in guidelines issued by the CCPC (the "**Guidelines**") and the procedure is intended to apply where factual considerations, such as low market share or product or geographic market dissimilarity, suggest that a proposed merger or acquisition will not raise significant competition issues. The Guidelines therefore provide that it may be available for mergers where: (i) there is no active or potential competitive (whether horizontal or vertical) overlap between the parties involved; (ii) there is limited active or potential competitive horizontal overlap (meaning the undertakings involved have a combined market share of less than 15%) or vertical overlap (meaning the market share of each of the undertakings involved in each market is less than 25%) between the parties involved; and (iii) an undertaking, which already has joint control over a company, is to acquire sole control over that company.

It should be noted that the standard merger notification procedure may be applied by the CCPC notwithstanding that a merger satisfies the criteria for notification under the Simplified Procedure, and the Guidelines provide a non-exhaustive list of situations in which this may be the case.

Parties availing of the Simplified Procedure must use the CCPC's standard notification form but will be exempt from completing certain sections. The CCPC will inform the merging parties as soon as possible after the deadline for third-party submissions on the merger (10 working days after notification) whether use of the Simplified Procedure is appropriate although it may, at any point, revert to the standard procedure and request further information. Parties are also strongly encouraged by the CCPC to engage in pre-notification discussions to clarify whether a merger is suitable for notification under the Simplified Procedure.

If successful, the Simplified Procedure should operate to reduce review periods for no-issue "Phase 1" deals. In this regard, it might be noted that the standard 30-working-day review period still applies to the Simplified Procedure although the CCPC has confirmed it will "endeavour to make a determination as soon as practically possible".

It is expected that a substantial percentage of Irish deals will qualify for this procedure and, provided it fulfils its stated aim of significantly reducing the review periods for non-controversial transactions, it may be seen as a welcome development in the Irish M&A landscape which will reduce the burden on notifying parties to a transaction.

Stamp duty changes

Two changes to the Irish stamp duty regime were announced as part of the 2020 Irish budget proposals revealed by the Minister for Finance on 8 October 2019, with both changes taking effect from midnight on that date.

The first of these changes was that the stamp duty charge on non-residential property was increased from 6% to 7.5% (subject to certain transitional arrangements where a binding contract was entered into before 9 October 2019). Where the land is subsequently used to develop residential property, a refund is available such that the rate of stamp duty chargeable after a full refund is 2%. The rationale cited for this revenue-raising measure was that the Irish commercial property market continues to perform strongly and as such, the sector should be able to bear this increase "without any significant impact".

This new 7.5% rate applies not only to transfers of commercial real estate, but also to contracts for the sale of other types of assets, such as debtors, goodwill or the benefit of contracts, and to certain lease premiums. As such, the increased rate will likely impact on acquisitions taking effect by way of business purchase or asset sale after this date, and prospective purchasers of Irish businesses should be cognisant that this higher rate will apply on the transfer of certain categories of asset.

The second change was the introduction of a new stamp duty charge of 1% applicable where a scheme of arrangement involving a "cancellation scheme", in accordance with Part 9 of the Irish Companies Act 2014, is used to effect the acquisition of a company.

A cancellation scheme involves a company cancelling its existing shares in a court approved process and re-issuing new shares to the acquiring company. It can be contrasted with a "transfer scheme", in which case the court is asked to approve the transfer of all existing shares to the acquirer. Cancellation schemes have generally been used over transfer schemes due to the fact that this first method avoided the 1% stamp duty that is payable on the transfer of shares in an Irish company as no stamp duty arises on the issue of new shares. The change to Irish law reflects a change made in the UK in 2015, albeit that the UK prohibited the use of cancellation schemes for takeover transactions (subject to certain exceptions), whereas in Ireland, a cancellation scheme can still be used, but will be treated the same for stamp duty purposes as a transfer scheme.

The unexpected nature of these increased stamp duty charges drew censure not least for creating undue uncertainty as to the stability of Irish tax policy. In addition, in the case of the application of stamp duty to cancellation schemes of arrangement, criticism was levied at the Government's failure to include any transitional provisions for cancellation scheme transactions that were in progress at the time of the announcement and which were therefore impacted by the change without advance warning. Whereas, the increase to the commercial property rate signifies the second unexpected increase in three budgets and means that Ireland now has the third-highest commercial stamp-duty rate in the EU. The move has therefore been criticised by certain stakeholders in the property sector as likely to negatively affect inward commercial real-estate investment to Ireland.

<u>Limited Partnership Bill</u>

On 20 June 2019, the Irish Government published the Investment Limited Partnership (Amendment) Bill 2019, which proposes a number of changes to the existing Irish legislative framework regulating investment limited partnerships with the aim of modernising this framework so as to better reflect changes in the global private equity market. Once enacted, it is expected that the reformed legislation will greatly enhance the attractiveness of the investment limited partnership structure for private equity managers and investors and will mean that Ireland offers the full suite of preferred legal structures for real asset/private equity investment.

This Bill may be seen as a positive step towards Ireland becoming a jurisdiction of choice for the domiciling and servicing of real assets, private equity and infrastructure funds in line with one of the Government's key objectives under the Ireland for Finance Strategy concerning the development of Ireland's international financial services sector to 2025. No doubt the prospect of an increased presence of private equity firms in Ireland in the coming years will have knock-on beneficial consequences for Irish deal-making.

Industry sector focus

2019 was a particularly active year for the technology, media and telecommunications industry, which was reported to have accounted for 24% of total deal volume, according to research by Investec, and proved to be the most fertile sector for Irish deal-making in 2019. The continued growth and success of this sector is thanks to Ireland's position as a prominent exporter of information technology services and the home of many of the world's major global information technology companies. As a consequence, Irish technological assets continue to prove an attractive proposition for investors and, in a continuation of a trend seen in recent years, approximately one-third of deals in this sector in 2019 involved a foreign company, UK and US-based in particular, targeting an Irish technology business as part of an expansion strategy. Most notable among these deals was the acquisition by UK-based private equity firm Charterhouse Capital Partners of Tarsus Group plc, the Irish-based and UK-listed media holding, for a reported £561m, and the purchase by Spanish wireless telecoms infrastructure operator, Cellnex Telecom, of Cignal from InfraVia Capital Partners for €210m.

The sector that recorded the second-highest number of deals in 2019 was the health and pharmaceutical sector and, when the AbbVie acquisition of Allergan plc is included in the statistics for 2019, it is also the sector leading the field in terms of overall deal value for the year. The presence in Ireland of all 10 of the world's top 10 leading pharmaceutical companies and Ireland's position as the third-largest exporter of pharmaceuticals globally explain why this sector is perennially a strong performer. The AbbVie deal is also indicative of a broader trend in the global pharmaceutical industry in which large pharmaceutical companies are looking towards acquisitions as an efficient means of replenishing their drug pipelines. This heightened level of acquisitive activity is evidenced by the fact that global life sciences M&A activity reached an all-time record of US$357bn in 2019, according to an EY report on the sector.

Another sector that recorded significant deal value in 2019 was the leisure and travel sector with its banner year primarily due to Flutter Entertainment plc's acquisition of The Stars Group Inc. which significantly inflates the total deal value figure. By deal volume, this sector only accounted for 4.7% of the total volume of transactions.

Activity in the financial services sector in 2019 failed to reach the heights of the previous year when it topped the table in terms of deal value. It was nonetheless a reasonably prolific source of deal-making representing a reported 10.3% of the total number of deals. Within this sector, the deals were mainly focused on insurance and wealth management companies which are areas that have witnessed significant consolidation in recent times. The Irish insurance industry in particular has become increasingly appealing to private equity firms as they seek to exploit the consolidation opportunities presented by this fragmented market and is a trend that seems set to continue. Some notable deals announced in this sector in 2019 were Brewin Dolphin's acquisition of Investec Capital & Management, the acquisition of Robertson Low Insurances and Wright Group Brokers by UK Broker Aston Lark giving it Irish market share, and the acquisition of Goodbody Stockbrokers by Bank of China Stockbrokers for a reported €150m.

The year ahead

At the outset of 2020, the initial indicators for M&A activity in Ireland for the year were broadly positive and pointed towards another good year for Irish deal-making. 2019 had concluded with a very strong final quarter of activity and was underpinned by a strongly performing Irish economy which, according to CBI forecasting, seemed set to continue to grow throughout 2020 in spite of continued global geopolitical uncertainty.

This positive economic outlook was complimented by the presence in the Irish market of other deal-making fundamentals, such as an abundance of high quality assets and businesses, large reserves of available capital, historically low interest rates, favourable tax structures and healthy competition among financial and strategic players. In addition, the widespread availability of capital offered on attractive terms and in increasingly innovative and flexible formats from an array of lenders in a robust lending market were further important factors that seemed set to facilitate a healthy level of deal-making in 2020.

As a result, the outlook for M&A activity in Ireland in 2020, as gauged by market participant sentiment at the beginning of the year, was strongly optimistic, with 90% of M&A executives and advisers in a survey conducted by KPMG (the "**KPMG Survey**") expressing their belief that deal volumes in 2020 would remain at or above the levels experienced in 2019.

In terms of deal drivers, the respondents to the KPMG Survey expected that commercial objectives would be central to the stimulation of M&A activity in Ireland in 2020 as companies look to expand their customer base and geographic footprint, or create synergies with other companies in order to bolster their businesses so as to better insulate themselves against the impact of economic shocks posed by the uncertain geopolitical environment. As a result, it was expected that trade buyers would be most likely to complete the highest volume of transactions in 2020 and that an increase might be seen in cross-sector deals as companies and private equity firms look to diversify or build resilience into their business or portfolio companies.

The macro-economic and political issues which seemed, at the beginning of the year, to present the greatest risk to this optimistic outlook and to Ireland, as a highly open economy and therefore particularly exposed to volatility in the international political, taxation and trade environment, were continued global trade disputes, the upcoming Irish general election and US presidential election, and of course the final form of the UK/EU trade deal implementing Brexit. In this regard, it comes as no surprise that a majority of respondents to the KPMG Survey viewed any Brexit outcome which provides certainty as a key facilitator for deal activity in 2020.

However, at the time of writing, these concerns and the earlier optimistic outlook for 2020 have largely been eclipsed by the unprecedented global health crisis caused by the outbreak of COVID-19 which the world continues to grapple with and which saw commercial activity in many countries, including Ireland, grind to a near halt as they entered states of "lockdown" in order to contain the spread of the virus.

The severe economic shock triggered by this pandemic has already had a significant stultifying impact on global M&A activity, with many deals either abandoned or stalled indefinitely as businesses take stock and focus on shoring up liquidity and assessing their position in this new economic environment. In the first quarter of 2020, there was a reported decline of 28% in the overall value of deals and 16% in the number of deals, the weakest year-opening period since 2016, according to league tables from Refinitiv. In terms of the European story, Mergermarket has reported that M&A figures for April represented the lowest monthly value since 2009.

Where deals are proceeding to completion, the remote working practices that have been adopted by most businesses will likely have the effect of extending deal timetables. This is not least because of the impact of such working practices on regulatory authorities, including merger clearance authorities such as the Irish CCPC, who have advised of delays and requested that parties hold off where possible on filing planned merger notifications until further notice.

Given the extent of the unknowns surrounding the pandemic at this point in time, it is not possible to do more than speculate as to its full economic impact and, as a result, the likely outlook for M&A activity for the remainder of 2020. However, on the basis of the initial impacts, the CBI has cautioned that Irish GDP could decline by 8.3% this year and commentators seem to agree that the sharp slowdown in deal-making is likely to continue at least until the crisis is brought under control and potentially for some time thereafter, with some 83% of deal-makers canvassed in a Baker Tilly International survey on the outlook for European M&A in 2020 (the "**Baker Tilly Survey**") expressing the belief that COVID-19 will have a negative impact on global cross-border M&A activity throughout 2020 and possibly beyond.

In the interim, the attendant uncertainty may also drive an increase in deal flow in certain sectors and could result in an upsurge in certain types of deal such as restructurings and distressed deals, particularly in labour-intensive sectors, such as retail trade, food and beverage activities, accommodation, tourism and travel which have been the sectors worst affected by the pandemic. Equally, given the sharp fall of share prices on the equity markets, it may be that 2020 will see an increase in defensive public mergers as companies seek to consolidate their positions and/or acquire struggling competitors. Well-capitalised buyers, and private equity funds in particular who are sitting on significant financial reserves, may seek to take advantage of the investment opportunities that arise from all of this uncertainty.

Prior to this health crisis, it was expected that the sectors that would see the most M&A activity in Ireland in 2020 were once again the technology, agri-food and healthcare/pharma sectors which are areas that have traditionally provided robust levels of investment in Ireland. In particular, it had been anticipated that the increasing clarity around Brexit might have a stimulating effect on the agri-food sector which had been particularly affected by the protracted and ambiguous Brexit negotiations. At present, the focus on the technology sector is even more pronounced as the COVID-19 pandemic has highlighted the importance of a robust digital capability. This is borne out by market research with 88% of respondents to the Baker Tilly Survey declaring the acquisition of new technology or intellectual property as the top deal driver in 2020.

Furthermore, certain experts have posited that although short-term deal-making in the pharmaceutical sector has been stalled by COVID-19, the factors driving acquisition strategies in recent years (such as the need to bolster and diversify drug pipelines and achieve synergies through consolidation) will continue to remain relevant and this, coupled with a drop in market value for biopharmaceutical companies, may set the stage for continued activity in this space once the worst of the virus impacts have been controlled.

Notwithstanding the significant uncertainties that exist, it is hoped that the health of the Irish economy prior to this crisis and the presence in Ireland of many of the underlying fundamentals of deal-making, as well as the sudden and sharp manner of the economic shutdown, could result in an equally swift pace of recovery and quick return to normalised levels of M&A activity in Ireland once the virus has been successfully contained.

* * *

Sources

The information in this chapter is based on reports in the financial press, publications of the Central Bank of Ireland, specialist reports, company and financial websites (Experian, Investec, Mergermarket, Refinitiv, etc.) and other publicly available information.

Alan Fuller
Tel: +353 1 607 1372 / Email: alan.fuller@mccannfitzgerald.com
Alan is a partner in the firm's Corporate Group whose practice includes mergers and acquisitions, private equity and venture capital, joint ventures, corporate reorganisations and equity capital markets.

Aidan Lawlor
Tel: +353 1 607 1450 / Email: aidan.lawlor@mccannfitzgerald.com
Aidan is a partner in the firm's Corporate Group. Aidan specialises in mergers and acquisitions, equity capital markets and corporate advisory work. He also advises clients on IPOs, rights issues and open offers, placings, privatisations and recapitalisations. He advises on private company acquisitions and disposals, particularly in the Agri-Food and Drinks, Finance, Energy and Natural Resources, Betting and Gaming and Environmental sectors.

Elizabeth Maye
Tel: +353 1 511 1570 / Email: elizabeth.maye@mccannfitzgerald.com
Elizabeth is an associate in the Corporate Group who trained with McCann FitzGerald. Since qualification, Elizabeth has gained experience in a range of practice areas including mergers and acquisitions, corporate reorganisations, joint ventures, private equity and venture capital. She also advises on general corporate law issues.

McCann FitzGerald

Riverside One, Sir John Rogerson's Quay, Dublin 2, DO2 X576, Ireland
Tel: +353 1 829 0000 / URL: www.mccannfitzgerald.com