Megatrends: Deal Drivers of European M&As

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Overview

This research study provides a comprehensive analysis of the key drivers of mergers and acquisitions (M&As) activity in Europe. We specifically use regression analysis to determine the likelihood of completion of announced deals with targets located in Europe during the period between 2000 and 2016.

We firstly describe the general characteristics of M&A activity in Europe. We then estimate a model to identify the deal drivers of M&A across a multitude of dimensions - The Megatrends.

Key findings:

Regulatory intervention is a key factor related to certain transactions. Unsurprisingly, we find that the higher the level of an M&A transaction threatening to harm rival firms through increased market concentration, the lower the likelihood of the announced deal to be completed because of regulatory intervention. Also, regulatory intervention makes M&A deals in regulated industries (financials; energy and power; telecommunications) more difficult to be completed.

Supportive institutional environment. A supportive country-specific institutional environment (e.g., legal enforcement) is essential for higher level M&A activity, while country-level capital market growth is not.

The introduction of the single currency. The euro drives deal completion rates in Eurozone countries. We find that the likelihood of completion of deals in the Eurozone is 1.2% higher than those in non-eurozone.

Unique deal drivers by sector. Deals with targets in eurozone countries are completed more often in the healthcare, high technology and industrials sectors, but not in the financial sector. Also, a highly concentrated market impedes M&A activities in both the financial as well as energy and gas sectors, but does not affect other sectors.

Drivers differ across different periods: pre-crisis (2002-2006), crisis (2007-2009) and post-crisis (2010-2016). The euro led to higher M&A activity during the pre- and post-financial crisis periods, but did not during the financial crisis of 2007-2009. A better institutional environment helped deal completion during the pre-crisis period, while it did not appear to increase deal-making following 2010.

Different deal drivers exist across three markets (the developed, emerging and frontier markets) in Europe. Market concentration significantly reduces the likelihood of deal completion by 8.5% in the frontier markets, but does not affect deal completion in the developed or emerging markets. In addition, a supportive country-level institutional environment is an important factor to make deals successful in European emerging markets, as evidenced by an 18.8% higher probability of deal completion, while it has a negative effect on deals in the developed market.

Several deal characteristics have driven successful M&A deal-making. The probability of deal completion of friendly deals is 31.5% higher than those of hostile deals. The study also finds that deals with private targets (15.7%), deals without competing bids (14.0%), deals without mandatory offering (5.6%), cash payment deals (4.4%) and deals with stronger industry relatedness between the acquirer and its target (1.0%) are more likely to be completed.

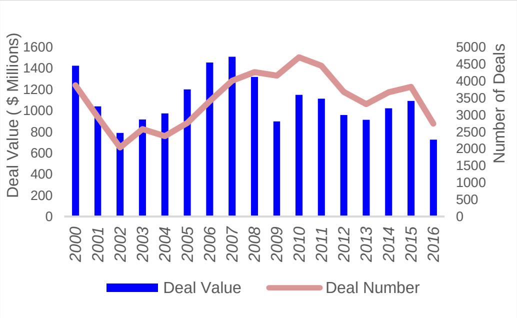
Deal drivers differ across European countries. Compared to other European countries, cross-border deals and deals with mandatory offers in Russia are much harder to be completed. Cash payment drives deal success in the United Kingdom, France, Spain and Italy, but does not in Germany or Russia.

General Characteristics of M&A in the European Market

The European M&A market has been booming for over a decade and has become an attractive market for both domestic and foreign investors.

Figure 1 reports the yearly announced deals in the sample from 2000-2016. A slight decrease in deal volume and deal size during the period 2008-2013 reflects the difficult financial situation in the European market due to the financial crisis and European debt crisis. Noticeably, political uncertainty dominates the European market following the UK referendum in June 2016 and has negatively affected the M&A market in Europe.

Figure 1. Announced M&A Deals in Europe (2000-2016) in the sample.



M&A deals in Europe have specific features that make them unique and attractive to global investors. Figure 2 shows some of the key characteristics of the European M&A deals in our sample.

Figure 2. (1) Proportion and number of announced deals in the sample by deal characteristics.

	Not completed	Completed	Grand total	% completed
Deal Type				
Domestic	7,036	30,042	37,078	81.0%
Cross-border	4,221	17,444	21,665	80.5%
Industry Relatedness				
No	6,215	25,146	31,361	80.2%
Yes	5,042	22,340	27,382	81.6%
Regulated Industry				
Non-regulated	8,036	37,049	45,085	82.2%
Regulated	3,221	10,437	13,658	76.4%

We find that domestic deals are slightly more likely to be completed in the European market, compared to cross-border deals. A possible explanation is that cross-border transactions are subject to close local scrutiny and face more barriers. We also observe that deals in non-regulated industries (82.2%) are more likely to be completed than those in regulated industries (energy and power, financials, telecommunication (76.4%)). Deals in regulated industries are subject to additional governmental approval and face more governmental intervention, which hindered deal completion.

Figure 2. (2) Proportion and number of announced deals in the sample by deal characteristics.

	Not completed	Completed	Grand total	% completed
Mandatory Offering				
No	11,181	47,358	58,539	80.9%
Yes	76	128	204	62.7%
Competing Bids				
No	10,950	47,293	58,243	81.2%
Yes	307	193	500	38.6%
Targets				
Private	8,673	43,224	51,897	83.3%
Public	2,584	4,262	6,846	62.3%

Deals with mandatory offerings are rare in the European market. Deals without mandatory offerings (80.9%) are more likely to be completed successfully, compared to those with mandatory offerings (62.7%). It is also uncommon to have competing bids in Europe, and deals without competing bids (81.2%) are two times more likely to be completed, compared to those with competing bids (38.6%). In addition, we observe that the majority of bidders in the sample acquired private targets and the completion ratio of deals with private targets is higher than those with public targets. One potential explanation is that M&A deals involving private targets create higher value.

Figure 2. (3) Proportion and number of announced deals in the sample by deal characteristics.

	Not completed	Completed	Grand total	% completed
Deal Attitude				
Hostile	1,463	1,125	2,588	43.5%
Friendly	9,794	46,361	56,155	82.6%
Method of Payment				
Cash	2,228	10,590	12,818	82.6%
Others	9,029	36,896	45,925	80.3%
Eurozone				
No	6,765	26,881	33,646	79.9%
Yes	4,492	20,605	25,097	82.1%

In terms of deal attitude, a hostile deal is rare in the European market and is harder to be completed (43.5%), compared to a friendly deal (82.6%).

In terms of deal payment, a great number of deals are paid in cash only. Deals with cash payment have a slightly higher deal completion rate. The prevalence of cash-only deals in the European market is possibly due to relatively lower risk and increased presence of Asian acquirers (i.e. Chinese buyers).

When we investigate the Eurozone effects on M&A deals, we find that deals with a target in the Eurozone are more likely to be completed. The single currency in the Eurozone fosters M&A deal activity because it not only reduces the risk of foreign currency volatility but also facilitates access to financing.

M&A activity varies drastically by country and market. We observe that target countries with high deal completion rates are France (85.6%), followed by Spain (85.1%), Russia (83.2%), Italy (81.2%), Germany (80.5%), and the United Kingdom (79.4%). In terms of different types of markets in Europe, deals with targets in developed markets have the highest completion rate, compared to those in emerging markets and frontier markets.

Figure 2. (4) Proportion and number of announced deals in the sample by deal characteristics.

	Not completed	Completed	Grand total	% completed
Targets' nation				
France	605	3,592	4,197	85.6%
Spain	559	3,193	3,752	85.1%
Russia	1,553	7,676	9,229	83.2%
Italy	686	2,957	3,643	81.2%
Germany	1,101	4,542	5,643	80.5%
United Kingdom	2,127	8,175	10,302	79.4%
Rest of European Countries	4,626	17,351	21,977	79.0%
Market Classification				
Developed Market	7,816	33,620	41,436	81.1%
Emerging Market	2,839	11,480	14,319	80.2%
Frontier Market	602	2,386	2,988	79.9%

What Determines M&A Deal Success in Europe?

We identify the factors that drive the success of M&A deals in the European market. Our model of the probability of completion of deals announced during the period 2000-2016 is presented in Figure 3.

Figure 3. The results of the probit regression analysing deal drivers of M&A in Europe for the full sample.

	Contribution to completion likelihood
Friendly attitude	**31.5%**
Private target	**15.7%**
Non-competing bidders	**14.0%**
Voluntary offering	**5.6%**
Non-regulated industry	**4.6%**
Cash payment	**4.4%**
Institutional environment	**2.5%**
Non-concentrated market	**1.8%**
Eurozone effect	**1.2%**
Related industry	**1.0%**
Domestic deals	0.4%
Capital market growth	0.2%
Bankruptcy target	0.1%
Number of observations	*58,743*

(Figures in bold are statistically significant.)

Regulatory Intervention

We specifically focus on two types of regulatory intervention: (concentrated markets and regulated industries) and find that the completion of M&A deals is hindered by such regulatory interventions. We expect that an M&A deal is less likely to be completed in a more concentrated market, as it threatens to harm its competitor firms through increased market concentration and is more likely to trigger regulatory intervention. Our study shows that announced deals in regulated industries (power and energy, telecommunications and financials) are more difficult to close. We find that the likelihood of deal completion is high (4.6%) for deals announced in non-regulated industries. These findings support the fact that deals in regulated industries are subject to additional regulatory process and approval and therefore face more barriers in Europe.

Eurozone Effects

Regulators, practitioners and researchers have long debated the effects of the single currency in Eurozone countries. We find that M&A deals in Eurozone countries are more likely to be completed, as evidenced by the positive and significant association between targets in Eurozone countries and M&A deal completion. This could be because the single currency improves the efficiency of M&A markets and makes targets in Eurozone countries more attractive to investors, as it reduces the transaction costs related to foreign currency volatility and creates a more liquid capital market (Campa & Hernando, 2008; McCahery et al., 2003).

Country-level Institutional Environment

We use the legal index proxy for the country-level institutional environment, which include five dimensions: rule of law, corruption, the risk of expropriation, the risk of contract repudiation, the efficiency of the judiciary system. The higher the legal index, the better the institutional environment in the country. We find that an announced M&A deal with a target from a country with better institutional environment is more likely to be completed.

Capital Market Growth

We use country-level MSCI return growth to proxy for country capital market growth. The study shows that equity capital market growth is insignificantly associated with the likelihood of deal completion, suggesting that country capital market growth is not a driver of M&A transactions.

Deal Characteristics

We also investigate a number of deal characteristics which may drive the success of M&A deals. The deal-characteristic drivers include deal attitude, the method of payment, acquirer and target industry relatedness, competing bids, mandatory offerings, cross-border deals, bankruptcy target, and public deals.

We find that an announced deal with a friendly attitude, cash payment, close industry relatedness between the acquirer and the target, or private target, without mandatory offerings, without competing bidders tends to be completed successfully. In particular, our analysis indicates that deal attitude is the most important driver for M&A deal completion. Deal attitude has the highest contribution to the likelihood of deal completion (31.7%) among all deal drivers of deal success. It means that friendly deals increase the probability of deal completion by 31.7% compared to hostile deals. In addition, we find that private deals have a 15.7% higher probability to be completed than public deals in the European M&A market. However, a cross-border deal or bankrupt target is insignificantly associated with deal completion, suggesting neither cross-border nor bankrupt targets are a driver of European M&A activity.

Do European M&A Deal Drivers Differ across Additional Dimensions?

Further insights into deal drivers of European M&A deals can be obtained by analysing the results along additional dimensions: targets in different sectors, time periods, markets and countries.

M&A Deal Drivers by Sector

We further conduct sub-sample analysis to examine M&A deal drivers in key sectors: high technology, healthcare, financials, industrials, consumer products and services, and energy and power. The results of the analysis on M&A deal drivers by sectors is reported in Figure 4.

Figure 4. Results of the probit regression for the subsample by key sectors, analysing European deal drivers of M&A in sectors.

	Healthcare	High Tech	Financials	Industrials	Consumer Products & Services	Energy and Power
Concentrated market	6.2%	**-5.4%**	1.1%	-1.3%	-2.7%	**-9.9%**
Eurozone effect	**3.9%**	**3.7%**	**-2.7%**	**1.6%**	1.0%	-0.2%
Institutional environment	**-12.5%**	-0.8%	-0.2%	2.4%	-0.9%	5.3%
Capital market growth	3.2%	**3.9%**	1.9%	-0.4%	-0.2%	1.0%
Cross-border	**3.0%**	0.8%	-0.8%	**-2.3%**	1.2%	-0.6%
Friendly attitude	**39.9%**	**33.4%**	**36.0%**	**29.9%**	**35.0%**	**26.7%**
Public target	**-14.6%**	**-12.7%**	**-18.2%**	**-15.6%**	**-10.9%**	**-9.2%**
Cash payment	**4.7%**	**5.6%**	**5.7%**	**3.7%**	**3.6%**	**6.7%**
Related industry	**3.5%**	0.6%	-0.5%	1.3%	**2.5%**	0.1%
Mandatory offering	-11.6%	2.3%	**-23.6%**	-8.4%	-4.5%	-4.5%
Competing bidders	**-13.2%**	**-15.9%**	**-18.0%**	**-11.8%**	**-14.5%**	**-18.2%**
Bankruptcy target	0.0%	-2.7%	5.9%	**6.6%**	-8.3%	9.9%
Number of observations	*2,400*	*6,720*	*7,539*	*9,519*	*6,796*	*4,427*

(Figures in bold indicate statistical significance.)

A few deal drivers are consistent across sectors, such as the method of payment, public target, friendly attitude, and non-competing bids. However, we also show that a few factors differ across sectors. While it is insignificantly related to deal success in other sectors, market concentration reduces M&A deal success in the energy and power sector by 9.9% and in the high technology sector by 5.4%, suggesting that M&A deals in those two sectors are more sensitive to regulatory intervention.

In addition, M&A deals with targets in Eurozone countries are more likely to be completed than those outside the Eurozone in the healthcare, high technology, and industrials sectors. However, M&A deals within Eurozone countries have a lower likelihood of deal completion than those in non-Eurozone countries in the financial sector. We interpret this as an indication that the financial sector is negatively affected by the excessive centralisation of monetary policy and inefficiency of resource allocation in the Eurozone, while other sectors benefit more from Eurozone economics because of lower transaction costs and lower risk related to currency volatility.

In summary, beside some common drivers shared by sectors, a few deal drivers of M&A differ across sectors as follows:

The healthcare sector: cross-border deals, intra-sector deals and deals within the Eurozone are more likely to be completed.

The high technology sector: deals within less concentrated markets, deals with higher country capital market growth, and deals within the Eurozone are more likely to be completed.

The financial sector: deals without mandatory offerings and deals outside the Eurozone are more likely to be completed.

The industrials sector: domestic deals, deals with bankrupt targets and deals within the Eurozone are more likely to be completed.

The consumer products and services sector: intra-sector deals are more likely to be completed.

The energy and power sector: deals within a less concentrated markets are more likely to be completed.

M&A Deal Drivers by Periods

This study also investigates drivers of M&A deals across different time periods. The three periods related to economic cycles are the pre-crisis (2002-2006), crisis (2007-2009), and post-crisis (2010-2016) periods.

As shown in Figure 5, several factors affect deal success differently across these three periods. For instance, a concentrated market makes deals less likely to be completed in the post-crisis period, while it does not affect deal completion in the pre-crisis and crisis periods. In addition, deals in countries with a supportive institutional environment in the pre-crisis period are more likely to be completed, while less likely to be completed in the post-crisis period.

The Eurozone effect is positively associated with deal success during the pre- and post-crisis periods, but is insignificant in the crisis period.

Further, mandatory offers have an opposite effect on deal completion during the crisis-period and post-crisis period. That is, a mandatory offer increases the possibility of deal completion by 6.5% in the crisis period, but reduces the possibility of deal completion by 16.2% in the post-crisis period. A possible explanation is that mandatory offers in the crisis period do not increase the bidders' transaction costs and premium as much as those in the post-crisis period and minority shareholders are more likely to accept the mandatory offer to exit the target company in the crisis period. Thus, a mandatory offer in the post-crisis period dramatically increases transaction costs and premiums and then reduces bidders' incentives to complete deals.

M&A deal drivers for three periods are listed as follow.

The pre-crisis period (2002-2006): deals with a supportive institutional environment, high country-level capital market growth, closely related industries between the acquirer and the target, and deals within the Eurozone are positively associated with deal completion.

The crisis period (2007-2009): deals with a low country-level economic growth, bankrupt targets, and deals with mandatory offers are positively associated with deal completion.

The post-crisis period (2010-2016): deals within a less concentrated market, high capital market growth country, deals without mandatory offers, and deals within the Eurozone are positively associated with deal completion.

Figure 5. Results of the probit regression for the subsample by time periods.

	Pre-crisis (2002-2006)	Crisis (2007-2009)	Post-crisis (2010-2016)
Concentrated market	1.3%	-0.5%	**-2.4%**
Regulated industry	**-5.1%**	-3.8%	**-5.1%**
Eurozone effect	**2.2%**	-0.6%	**1.6%**
Institutional environment	**7.8%**	3.7%	**-7.1%**
Capital market growth	**3.2%**	**-4.5%**	**8.8%**
Cross-border	-0.4%	-0.4%	-0.4%
Friendly attitude	**17.8%**	**31.6%**	**43.4%**
Public target	**-22.6%**	**-24.0%**	**-8.7%**
Cash payment	**5.8%**	**5.0%**	**1.7%**
Related industry	**2.6%**	0.2%	-0.2%
Mandatory offering	-3.6%	**6.5%**	**-16.2%**
Competing bidders	**-10.4%**	**-12.8%**	**-16.4%**
Bankruptcy target	0.2%	**13.9%**	-3%
Number of observations	*13,138*	*12,423*	*26,374*

(Figures in bold indicate statistical significance.)

M&A Deal Drivers by Markets

In the study, we divide the sample into three subsamples based on MSCI market classifications: developed market, emerging market, and frontier market, and then examine M&A deal drivers in those three markets respectively.

These three markets have different levels of capital market development, resulting in different deal drivers across the three markets. As shown in Figure 6, the study finds that market concentration significantly reduces the likelihood of deal completion by 8.5% in frontier markets, but does not affect deal completion in developed markets nor emerging markets.

In addition, having a supportive country-level institutional environment is an important factor to make deals successful in European emerging markets, as evidenced by an 18.8% higher possibility of deal completion, while it has negative effect on deals in developed markets. Country-level capital market growth drives deal success in emerging markets, but not in the other two markets. Further, compared to a lower probability of deal success in developed markets, targets outside the Eurozone have an 8.8% higher probability to be acquired successfully in emerging markets than those in Eurozone countries.

Deal drivers for each market are listed below.

Developed markets: deals in non-regulated industries, less supportive institutional environments, intra-sector deals, deals with mandatory offers and cash payment are more likely to be completed.

Emerging markets: deals in non-regulated industries, supportive institutional environments, deals with high country-level economic growth, without mandatory offers, intra-sector deals, and deals outside the eurozone are more likely to be completed.

Frontier markets: deals within less concentrated markets, cash payment and cross-border deals are more likely to be completed.

Figure 6. Results of the probit regression for the subsample by time periods, analysing European deal drivers of M&A in three markets: frontier market, emerging market and developed market.

	Frontier Market	Emerging Market	Developed Market
Concentrated market	**-8.5%**	-0.7%	-1.0%
Regulated industry	-2.0%	**-2.9%**	**-6.0%**
Eurozone effect	2.6%	**-8.8%**	**1.2%**
Institutional environment	7.7%	**18.8%**	**-5.6%**
Capital market growth	-3.1%	**1.9%**	-0.6%
Cross-border	**3.0%**	-0.4%	-0.6%
Friendly attitude	**22.6%**	**24.0%**	**35.0%**
Public target	**-20.3%**	**-7.9%**	**-17.4%**
Cash payment	**4.7%**	1.2%	**5.7%**
Related industry	0.6%	0.9%	**1.1%**
Mandatory offering	0.0%	**-34.1%**	**4.5%**
Competing bidders	**-21.7%**	**-15.9%**	**-12.8%**
Bankruptcy target	-16.0%	-4.2%	1.9%
Number of observations	*2,985*	*14,319*	*41,436*

(Figures in bold indicate statistical significance.)

M&A Deal Drivers by Countries

European M&A activity differs across countries. In Europe, the majority of targets are located in six countries: the United Kingdom, Russia, Germany, France, Spain and Italy, where the number of deals account for over 60% of total deal volume. We perform the analysis for each of these six countries to evaluate the key determinants of the likelihood of M&A deal success across countries.

Our models indicate that deal drivers in different countries may differ. Noticeably, while the cross-border deal factor does not affect deal completion in the other five countries, cross-border deals in Russia are less likely to be completed than domestic deals. This could be due to cross-border transactions in Russia facing higher barriers due to different takeover regulation, legal and political environment as well as cultural background, compared to the other five countries that are members of the European Union. In addition, deals with mandatory offerings are more likely to be completed in the United Kingdom and France. However, deals with mandatory offerings in Russia have as high as 43.7% likelihood of failure than those without a mandatory offering, indicating that the cost of a mandatory offering outweighs its benefit for Russian acquirers and subsequently hinders deal completion.

Figure 7. Results of the probit regression for the subsample by countries.

	United Kingdom	Russia	Germany	France	Spain	Italy
Concentrated market	-2.0%	1.2%	0.5%	-4.3%	-1.3%	-0.9%
Regulated industry	**-4.8%**	**-2.1%**	**-4.7%**	**-2.6%**	**-9.8%**	**-10.8%**
Economic growth	3.7%	0.6%	**-5.5%**	-3.2%	3.0%	1.4%
Cross-border	1.0%	**-3.3%**	-0.1%	-0.4%	-1.6%	-1.8%
Friendly attitude	**47.9%**	**28.7%**	**37.2%**	**29.7%**	**31.7%**	**34.1%**
Public target	**-20.4%**	**-7.3%**	**-12.1%**	**-15.5%**	**-24.1%**	**-23.2%**
Cash payment	**4.4%**	-0.5%	1.9%	**9.9%**	**4.4%**	**5.2%**
Related industry	**3.4%**	0.4%	-0.8%	**2.3%**	-1.2%	0.1%
Mandatory offering	**8.7%**	**-43.7%**	0.0%	**10.5%**	-14.9%	-17.9%
Competing bidders	**-11.4%**	**-16.9%**	**-29.1%**	**-11.6%**	-5.1%	**-13.7%**
Bankruptcy target	3.6%	-14.9%	5.6%	4.9%	-16.2%	-6.6%
Number of observations	*10,302*	*9,229*	*5,643*	*4197*	*3,752*	*3,643*

The deal drivers for each of these six target countries of domicile are presented as follows:

United Kingdom: deals with mandatory offerings, intra-sector deals, cash payment, private target, and deals without competing bids have a higher probability of deal completion.

Russia: domestic deals, deals without mandatory offering, without competing bidders, friendly deals, intra-sector deals have a higher probability of deal completion.

Germany: periods of low capital market growth, deals without competing bidders, friendly deals, and private deals have a higher probability of deal completion.

France: deals with mandatory offerings, without competing bidders, friendly deals, intra-sector deals, cash payment, and deals with private targets have a higher probability of deal completion.

Spain: friendly deals, cash payment, and deals with private targets have a higher probability of deal completion.

Italy: deals without competing bidders, friendly deals, cash payment, and deals with private targets have a higher probability of deal completion.

M&A Deal Drivers by Sectors and Periods

Finally, we analyse M&A deal drivers in two sectors: the financial and energy and power sectors, across the pre-crisis (2002-2006) and post-crisis (2010-2016) periods. The results of the analysis are reported in Figure 8.

Deal drivers in the financial sector differ between the pre- and post-crisis periods. In particular, a stronger country institutional environment reduced the probability of deal completion by 21.4% during the post-crisis period, but increased the deal completion ratio by 14.5% during the pre-crisis period. The result reflects that the financial sector faced an increasingly stringent scrutiny and regulatory environment in countries with a strong institutional environment during the post-crisis period, which hinders M&A deal activity in the financial sector.

Consistent with the main results, friendly attitude is also the most important factor in deal completion in the financial sector. However, deals with friendly attitude were two times more likely to be completed during the post-crisis period (44.3%), compared to deals announced during the pre-crisis period (19.9%). In addition, compared to its positive effect (3.7%) on M&A activity during the pre-crisis period, the Eurozone had a negative impact (-4.4%) on deal completion in the financial industry during the post-crisis period.

Figure 8. (1) Results of the probit regression for the financial sector by time periods.

	Pre-crisis (2002-2006)	Post-crisis (2010-2016)
Concentrated market	1.4%	0.1%
Eurozone effect	**3.7%**	**-4.4%**
Institutional environment	**14.5%**	**-21.4%**
Capital market growth	2.2%	**12.9%**
Cross-border	-2.4%	-0.3%
Friendly attitude	**19.9%**	**44.3%**
Public target	**-32.1%**	**-11.3%**
Cash payment	**6.3%**	2.2%
Related industry	0.9%	-0.4%
Mandatory offering	-20.4%	**-24.0%**
Competing bidders	**-15.8%**	**-18.0%**
Number of observations	*1,753*	*3,388*

(Figures in bold indicate statistical significance.)

In summary, M&A deal drivers of Europe's financial sector for the two periods are listed as follow.

The financial sector during the pre-crisis period (2002-2006): friendly deals, private targets, cash payment, deals with a supportive institutional environment, without competing bids and deals within the Eurozone had a higher possibility to be completed.

The financial sector during the post-crisis period (2010-2016): friendly deals, deals with a weak institutional environment, higher country capital market growth, private targets, deals without mandatory offerings or competing bids and deals outside the Eurozone had a higher possibility to be completed.

For the energy and power sector, different factors affect deal completion during the pre- and post-crisis periods. A concentrated market reduced the possibility of deal success to a great extent (16.9%) in the sector during the post-crisis period, as it faced further intervention from regulators over competition concerns. In addition, a strong institutional environment significantly increased the deal completion rate by 22.4% in the sector during the pre-crisis period, while it did not affect deal completion during the post-crisis period.

Detailed deal drivers of the energy and gas sector for the two periods are presented below.

The energy and gas sector during the pre-crisis period (2002-2006): friendly deals, deals with a strong institutional environment, a higher country capital market growth, private targets, cash payment, deals without competing bids and deals outside the Eurozone had a higher possibility to be completed.

The energy and gas sector during the post-crisis period (2010-2016): friendly deals, deals in a less concentrated market, deals with a higher country capital market growth and deals without competing bids had a higher possibility to be completed.

Figure 8. (2) Results of the probit regression for the energy and gas sector by time periods.

	Pre-crisis (2002-2006)	Post-crisis (2010-2016)
Concentrated market	6.2%	**-16.9%**
Eurozone effect	**-6.1%**	3.5%
Institutional environment	**22.4%**	-0.4%
Capital market growth	**12.8%**	**11.1%**
Cross-border	2.1%	0.3%
Friendly attitude	**22.1%**	**37.6%**
Public target	**-13.1%**	-2.2%
Cash payment	**14.5%**	2.8%
Related industry	-0.1%	-0.2%
Competing bidders	**-29.4%**	**-36.1%**
Mandatory offering	0.0%	-21.2%
Number of observations	*905*	*2,174*

(Figures in bold indicate statistical significance.)

Appendix: Sample and Methodology

The sample in this study comprises of all announced M&A deals in the European market during the period 2000-2016. The sample includes only acquisitions of majority interest, where the acquirer owned less than 50% of the shares in the target before the acquisition and more than 50% of the shares after the acquisition.

Summary of all announced deals in the sample by target country

Target Country	Number of Deals	Eurozone	Type of Market
Austria	866	1	Developed
Belgium	897	1	Developed
Bulgaria	338	0	Frontier
Croatia	197	0	Frontier
Czech Republic	789	0	Emerging
Denmark	1,262	0	Developed
Estonia	259	1	Frontier
Finland	1,554	1	Developed
France	4,197	1	Developed
Germany	5,643	1	Developed
Greece	632	1	Emerging
Hungary	461	0	Emerging
Ireland	619	1	Developed
Italy	3,643	1	Developed
Lithuania	339	1	Frontier
Netherlands	1,840	1	Developed
Norway	2,187	0	Developed
Poland	2,065	0	Emerging
Portugal	646	1	Developed
Romania	423	0	Frontier
Russia	9,229	0	Emerging
Serbia	101	0	Frontier
Slovenia	210	1	Frontier
Spain	3,752	1	Developed
Sweden	2,524	0	Developed
Switzerland	1,504	0	Developed
Turkey	1,143	0	Emerging
Ukraine	1,121	0	Frontier
United Kingdom	10,302	0	Developed
Grand total	**58,743**		

After removing observations with missing values for variables required for the analysis, the final sample consists of 58,743 M&A transactions. The M&A deal data is obtained from Thomson Reuters SDC Platinum, and the financial data of firms in the sample is obtained from Thomson Reuters Datastream and Thomson Financials.

The study uses regression analysis to examine key factors driving M&A activity in Europe. Deal drivers in the study take both country-level features and deal-specific characteristics into account, including five key dimensions: regulatory intervention, Eurozone effect, country-specific institutional environment, capital market growth and deal characteristics.

For each of the five types of deal drivers, the probability of M&A deal completion is analysed by using regression analysis. The dependent variable in the model is equal to one if the M&A deal is completed in a given year and zero otherwise. By using this analysis, we are able to see if any of the five types of deal drivers are statistically significant predictors of the likelihood of completing M&A deals successfully.

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