

# M&A – From Global Geopolitical Conflicts to Transactions

## Top 5 Impacts

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4. Risk Allocation
5. Strategic Portfolio Re-Alignment

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# Regulatory and Foreign Investment Control Risk

- **Geopolitics as a deal driver:** Expanding FDI screening and political intervention are reshaping M&A particularly during geopolitical conflicts, materially affecting deal structure, timing, and risk allocation amid rising geopolitical uncertainty. 
- **Execution risk on the rise:** Longer closing timelines, broader conditions, and less predictable approvals push sellers to seek protections like reverse break fees, regulatory carve outs, and interim arrangements.
- **Austria in focus:** Austria's FDI regime is now decisive in cross-border deals. Cases like JD.com/MediaMarkt show how early regulatory strategy is critical to valuation and deal certainty.

# 2

## Deal Pricing Gaps

- Pricing under pressure: Geopolitical conflicts, sanctions, and macro volatility widen bid-ask spreads as buyers and sellers diverge on inflation, earnings resilience, and refinancing risk.
- Negotiations get harder: Buyers price downside and execution risk, while sellers anchor to historical performance, prolonging deal processes and complicating price discovery.
- Creativity bridges gaps: Earn-outs, deferred consideration, vendor loans, and tailored MACs are increasingly used to share risk and secure deal execution in uncertain markets.



# 3

## Financing Constraints



- **Financing shock risk:** Geopolitical events can trigger abrupt market dislocations, undermining financing certainty and, in extreme cases, rendering signed M&A transactions unfinanceable before closing.
- **Debt constraints reshape deals:** Persistently high rates, wider spreads, and lender risk aversion push M&A toward equity-heavy structures, alternative financing, and heightened focus on refinancing risk.
- **Certainty wins:** Elevated funding costs favor buyers with strong balance sheets or assured capital, making financing certainty a decisive competitive advantage in execution and valuation.



# 4

## Risk Allocation

- Risk back in the spotlight: Heightened geopolitical volatility makes signing-to-closing risk allocation a core M&A battleground, even in otherwise seller-friendly markets.
- Tighter protections on both sides: Buyers push for MACs, conditionality, and stricter interim covenants, while sellers narrow thresholds and carve-outs to cap risk.
- Insurance gaps reshape deals: Possible constraints in W&I insurance can drive greater reliance on escrows, indemnities, deferred consideration, and guarantees – making sophisticated risk sharing critical to deal certainty.

# 5

## Strategic Portfolio Re-Alignment

- **Fragmentation reshapes strategy:** Sanctions, export controls, and bloc-based markets force companies to reassess geographies, customers, and products – turning once attractive assets into high-risk or non core overnight.
- **Portfolio re-alignment accelerates:** Resilience and regulatory certainty increasingly outweigh pure financial metrics, driving divestments, redeployment into “safe” jurisdictions, and simplification of global structures.
- **Carve-outs on the rise:** Geopolitical pressure can fuel carve outs and forced divestments, often under tight timelines – shifting leverage to well aligned buyers but increasing execution and separation risk.