NEWSLETTER SECOND SEMESTER 2025
FEBRUARY 2026

- **General Economic Situation**

The Spanish economy recorded an encouraging 2.9% growth, higher than initially forecast, although below the 3.4% achieved the previous year. Domestic demand has supported activity, while the external sector has contributed negatively due to the weakness of France, and to a lesser extent Germany, which are our main markets. Exports are not growing with the desired intensity, tourism has moderated its growth, and investment continues to show a certain sluggishness.

Employment performance has been positive in quantitative terms, but productivity has continued to decline. Employment growth in lower value-added sectors remains a structural pending issue for our economy.

Spain and Europe remain at a complex crossroads. High energy costs are severely affecting many industrial sectors and, in turn, the rest of the economy. The weight and cost of the public sector, together with increasing regulatory pressure, are suffocating for both companies and families. The lack of leadership and strategic coordination at the European level limits our ability to react in a highly demanding global environment. In Spain, there are incredible populist proposals in taxation and housing policy that are entirely inappropriate for a free democracy. At the same time, the administration is proving unable to maintain existing infrastructure (high-speed rail, commuter trains, toll-free highways) while still achieving record levels of tax revenue.

However, there may be room for hope. European leaders seem to be realizing that a strategic shift is necessary — preserving European values while making them sustainable and reducing dependency on the United States and China and doing so without confrontation with the Trump administration. The message of the Finnish Prime Minister — from a country with fewer than six million inhabitants and 1,300 kilometers of border with Russia — is encouraging. Canada has also shown lucidity, intelligence and flexibility in responding to the new order (or disorder) created by the Trump administration.
International geopolitical prospects remain highly uncertain. The war in Ukraine has already lasted longer than World War II, with nearly two million estimated deaths. The situation in Palestine remains very unstable.

However, from an economic standpoint, the most concerning issue continues to be Trump's tariff policy, which is adding enormous uncertainty, most recently following the Supreme Court's ruling. This has negative consequences for many European economic sectors, ultimately affecting Spain, as these countries are our main clients and tourists. It will also impact the United States and the rest of the world. Tariffs are a tax on consumers and a disincentive to efficiency.

Let us hope that Europe moves toward greater political and economic cohesion and makes a decisive commitment to productivity and new technologies while respecting free enterprise, and that the international environment progressively regains stability.

Despite this scenario, our daily contact with entrepreneurs — especially those leading family-owned businesses — confirms that the entrepreneurial spirit remains alive. The private sector continues investing, growing, and taking risks "*through the wind, through the rain and through the snow*" as Bruce sings in the beautiful ballad *Drive All Night ....*

- **M&A Market**

The M&A market during 2025 has been more demanding than initially expected. Processes have become longer, due diligence reviews more thorough, and buyers have increased their level of selectivity, especially in the mid-market segment. Some processes have been interrupted or cancelled at advanced stages.
In Spain, activity has remained at reasonable levels, although without the dynamism anticipated at the beginning of the year. Macroeconomic and geopolitical uncertainty has led to valuation adjustments and greater investor caution.

However, there are solid fundamentals supporting a reactivation in 2026: the gradual decline in interest rates, generational transition processes in family-owned businesses, the structural need for sector consolidation to gain scale, efficiency and competitiveness, and the significant dry powder accumulated by Private Equity funds.
Spanish funds are in many cases doing an excellent job consolidating fragmented sectors through buy & build strategies, which we believe still offer a significant upside.

- **S&E PARTNERS**

2025 has not been an especially outstanding year, although we ultimately closed it in a solid manner consistent with the market environment, following several extraordinarily intense years.
During the first half of the year, two processes were interrupted at very advanced due diligence stages, one of them directly linked to tariff uncertainty in the United States.
In the second half of 2025, we maintained very high activity in terms of mandates and pipeline. During this period, we signed a significant LOI and completed a strategic plan for the board of directors of a company.
We currently have six sell-side mandates and three buy-side mandates, representing one of the strongest pipelines in our history in terms of potential deal value.
On the sell side, highlights include two Life Sciences mandates — one being a European leader in API production and another in consulting/regulatory services — two processes in the distribution sector (construction materials and industrial mobility), and one mandate in the construction sector, clearly benefiting from investment in data centers linked to AI and from the dynamics surrounding the circular economy.
Buy-side mandates are concentrated in Life Sciences, the access systems sector, and the furniture sector, where we observe clear opportunities for inorganic growth and consolidation.
Additionally, in January 2026 we closed one transaction and signed an LOI, reinforcing execution visibility within our pipeline.

In our ongoing advisory role to a private investment company investing in Israeli technology startups, company performance has significantly improved following stabilization of the environment.

We are very optimistic about 2026. We have a strong volume of projects, a quality pipeline, and mandates in structurally attractive sectors. S&E approaches 2026 with enthusiasm grounded in data, with prudence, but also with confidence in execution.

Entrepreneurs, families, Private Equity groups, and multinationals continue placing their trust in S&E Partners for our professionalism and absolute dedication. We are proud that many clients renew their trust and recommend us to third parties.

S&E is optimistic. We have consolidated our position as a prestigious player in our market segment and approach 2026 with enthusiasm and ambition.

Joan Julià
Managing Partner
joan.julia@sandepartners.com
www.sandepartners.com