

# Dealmaking in uncertain times

Finnish M&A market update, vol. 2  
September 2020

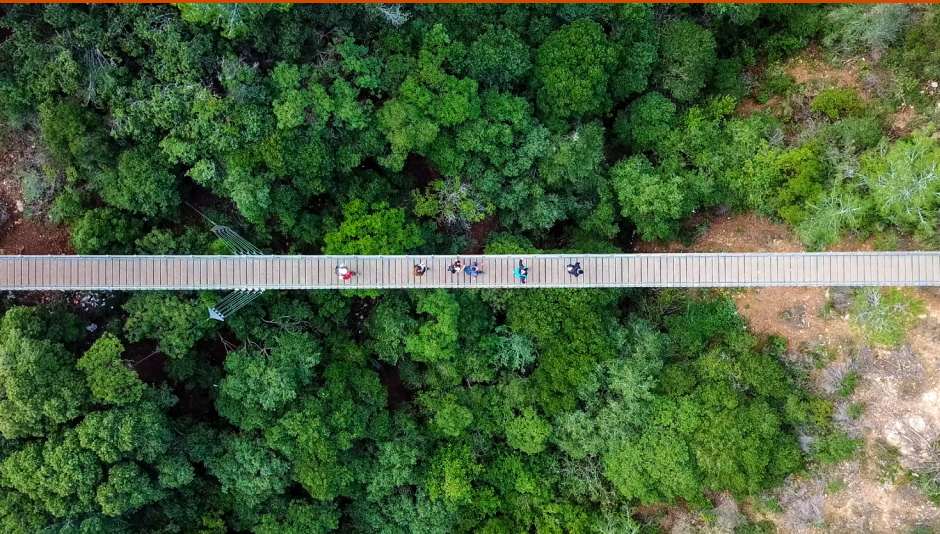




# Welcome to our second Finnish M&A market update in 2020

Dear reader,

Welcome to our second Finnish M&A market update in 2020. In this material, we discuss the recent trends in the Nordic and Finnish M&A markets and give an overview to the development in Europe during the first half of 2020.



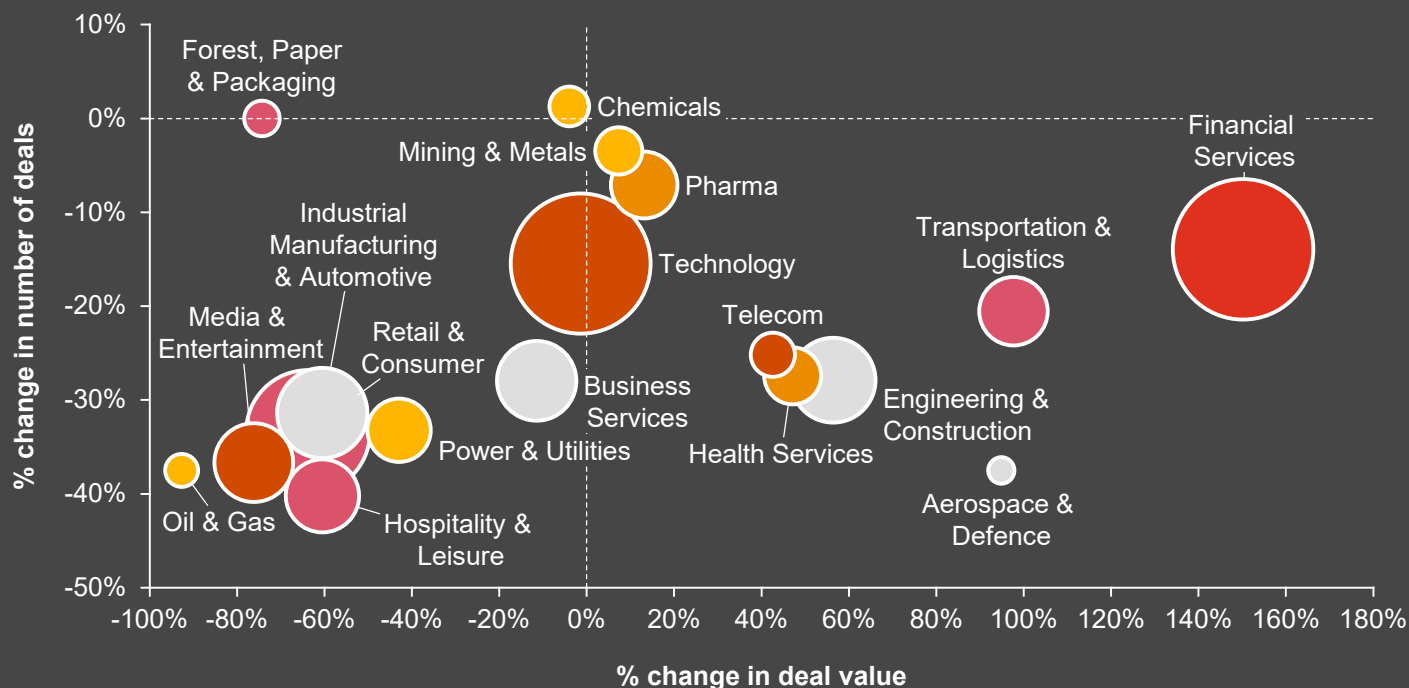
## Highlights from the M&A market:

- The number of announced transactions in Europe declined in the first half of 2020 versus a year earlier in all sectors, except for Chemicals and Forest, Paper & Packaging. The development in deal value between sectors varied greatly.
- The Swedish market outperformed other Nordic countries in terms of number of announced transactions during the first half of the year, with 3% growth from a year earlier. Sweden and Norway had a great first quarter, but deal counts in the second quarter declined in all Nordic countries from previous year's levels, hitting Denmark the hardest.
- However, the rumors of the death of the Finnish M&A market have been exaggerated. The reduction in the number of deals in Finland was only 27% in the second quarter of 2020 versus a year earlier. In fact, the number of transactions increased by 15% from the first quarter. Also the cross-border activity in Finland remained strong during the first two quarters.
- The decrease in the deal count in Finland during the first half of 2020 was explained by Industrial and Construction sectors. There were no other significant changes in sector volumes. Technology was the most active sector in Finland with flat volume development from previous year.
- On a monthly level, the M&A markets in Europe and the Nordics started to recover during the second quarter.
- We believe there will be many new M&A opportunities during and after the COVID-19 situation and strong buyers have an excellent position to drive the deal-making and affect valuations.

# Deal count in Europe declined from 1H 2019 to 1H 2020 in most sectors – More variation in deal value development

## Change in number of announced deals and deal values in Europe<sup>1</sup>

1H 2020 vs. 1H 2019



- The number of announced deals declined in all sectors in Europe during the first half of 2020, except for Chemicals and Forest, Paper & Packaging.
- Financial Services and Technology were the most active sectors in terms of number of deals – both contributed to about 17% of the total deal count in the first half of the year.
- The development in deal value varied a lot by sector, but only a handful of sectors experienced significant declines. The high growth in deal value in Financial Services was driven by the Sberbank megadeal in January 2020.

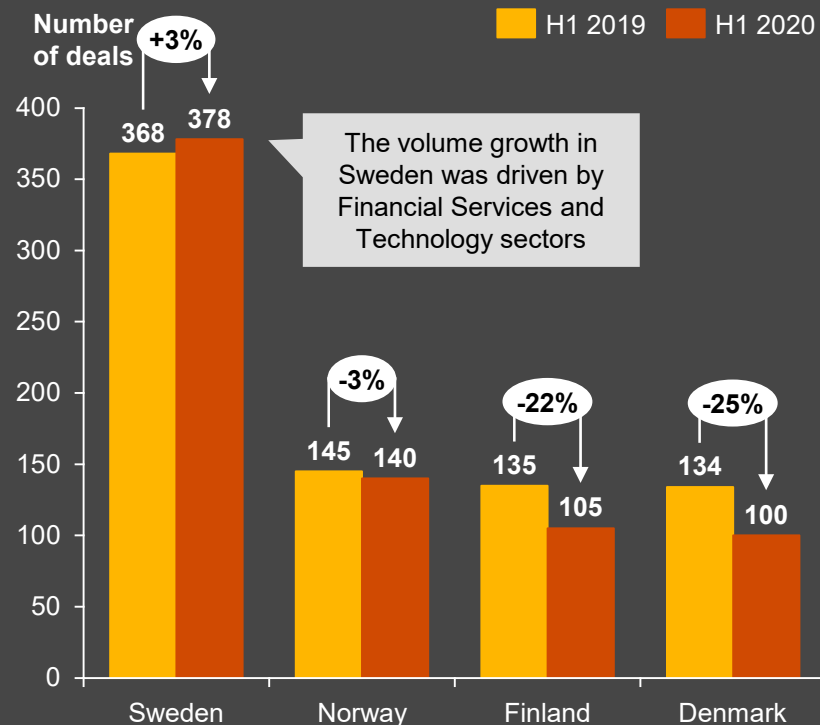
- Industrial, Construction & Business Services
- Consumer Markets
- Health Industries
- Financial Services
- Energy, Utilities & Resources
- Technology, Media & Telecom

Note: 1) Excluding Government & Public Services. Percentage change calculated as 1H 2020 vs 1H 2019. Bubble size represents deal volume in 1H 2020. Deal value not available for all deals.  
Source: Refinitiv, PwC Analysis

# Swedish market outperformed other Nordic countries in 1H 2020 with 3% growth – Q2 hit Denmark the hardest

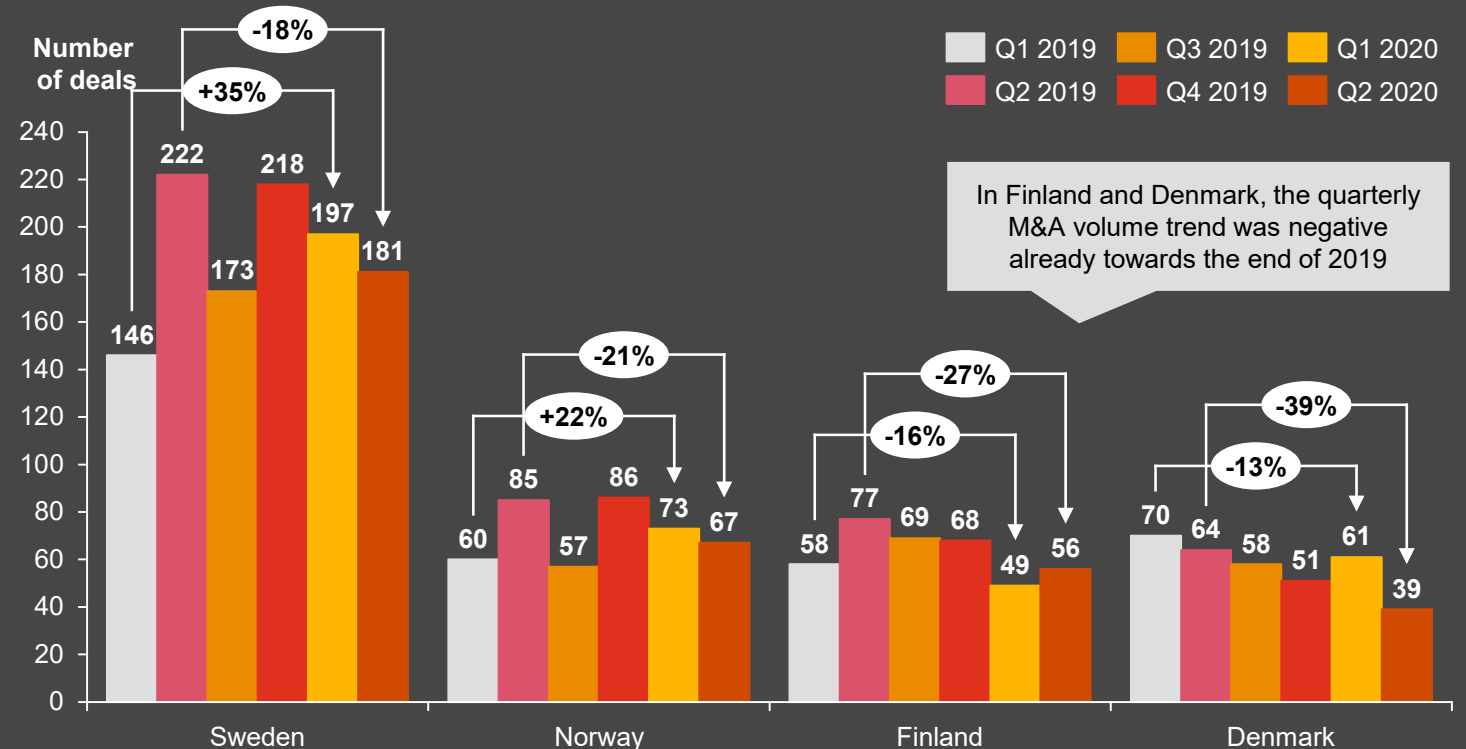
Transaction volume in the Nordics by country<sup>1</sup>

1H 2019 vs. 1H 2020



Quarterly transaction volume in the Nordics by country<sup>1</sup>

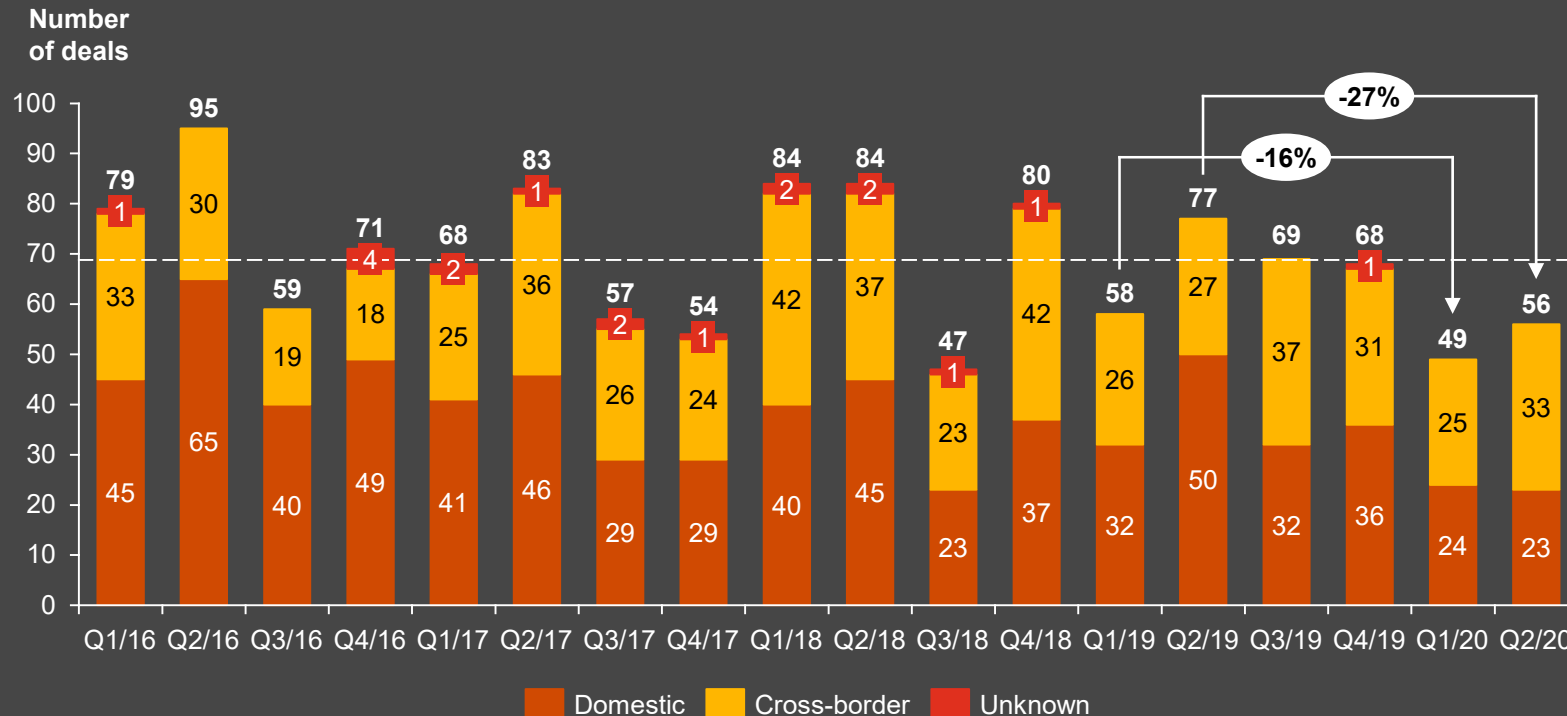
Q1 2019 - Q2 2020





# Decline in deal count in Finland was only 27% in Q2 2020 versus a year earlier – Cross-border activity remained strong

Number of announced deals by type in Finland  
Q1 2016 - Q2 2020

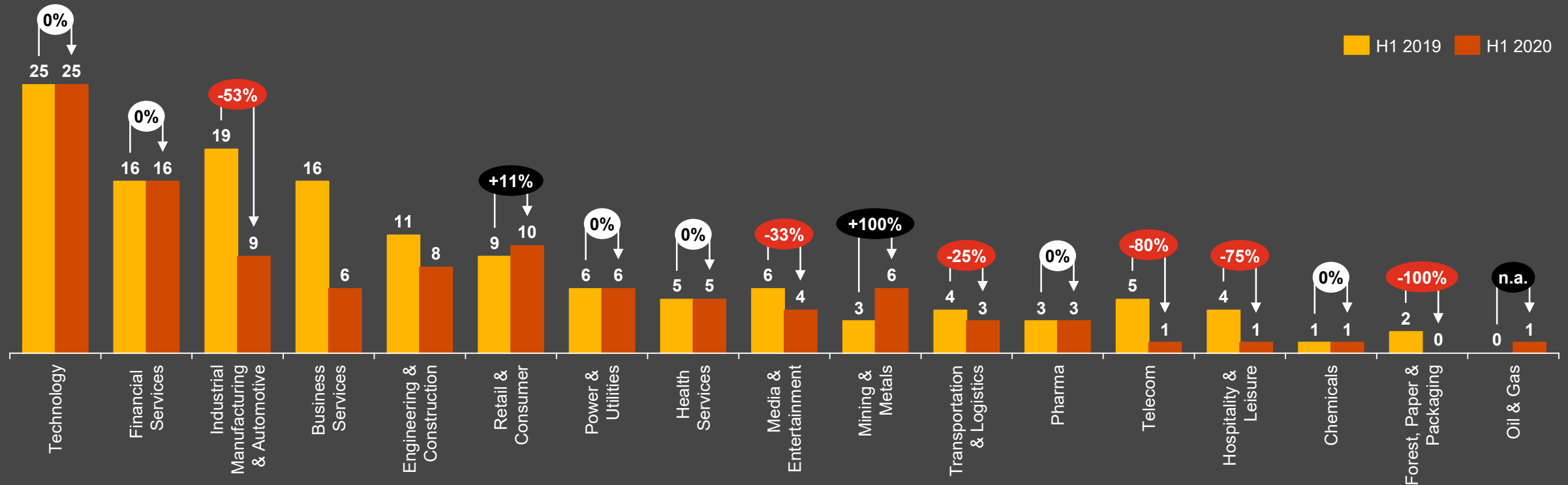


- Even though the COVID-19 crisis had a significant negative impact on M&A activity, the reduction in the number of deals in Finland was only 27% in the second quarter versus a year earlier.
- In fact, the number of announced transactions increased by 15% from the first quarter of 2020. This is in line with the typical trend of deal volumes being higher in the second quarter than in the first quarter.
- The share of cross-border deals remained high, contributing to 51% of all deals in the first quarter and 59% in the second quarter in 2020. This suggests that international buyers have continued deal-making in a relatively active manner despite the COVID-19 crisis.



# H1 2020 deal count drop in Finland was explained by the Industrial sector – No significant changes in other sectors

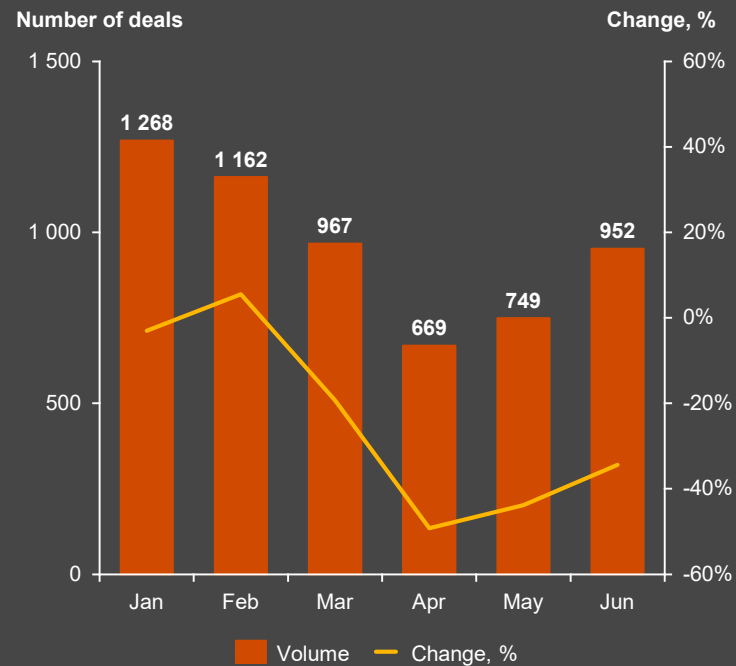
Number of announced deals by sub-sector in Finland  
1H 2019 vs. 1H 2020



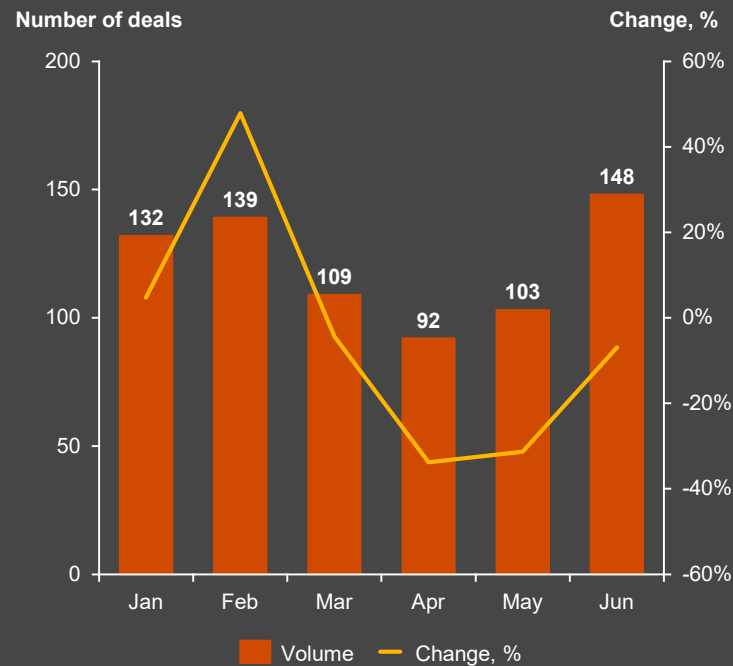


# M&A markets started to recover already during the second quarter

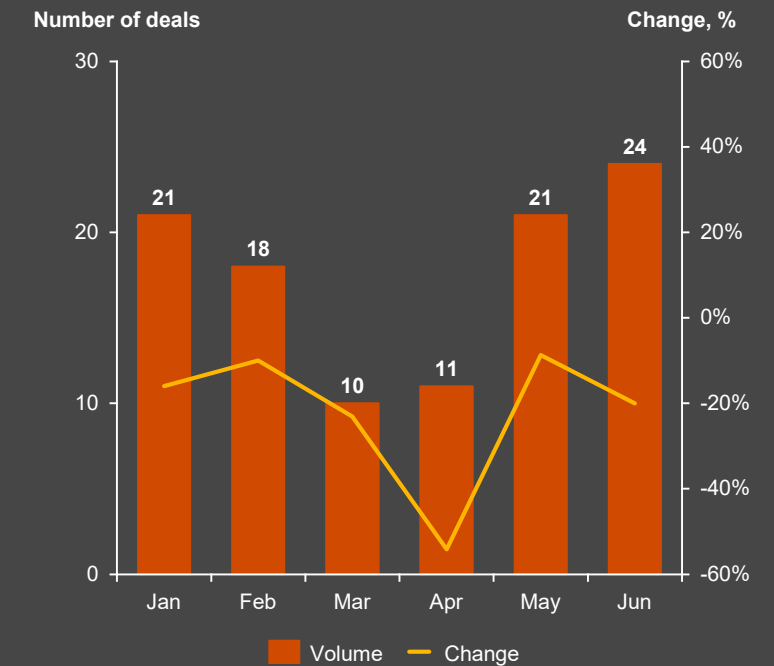
**Number of deals and y-o-y change in Europe<sup>1</sup>**  
January - June 2020



**Number of deals and y-o-y change in the Nordics<sup>1</sup>**  
January - June 2020



**Number of deals and y-o-y change in Finland<sup>1</sup>**  
January - June 2020





# We believe there will be many new M&A opportunities during and after the COVID-19 crisis

Many new opportunities will emerge in the time of COVID-19 and deals will reshape industries. Below are selected highlights of ways how deal making might look like after the COVID-19.<sup>1</sup>



## **Buyer driven wave of deal activity with more realistic valuations**

While some players might be selling businesses in the need of cash, we expect to see a wave of deal activity driven by buyers. Corporates have large amounts of cash and private equity is sitting on a pile of dry powder. Now buyers will likely be willing to pay high multiples for only the strongest companies.



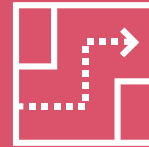
## **Reshaping the sector landscape**

Combination of potentially deteriorating market outlook and relatively high valuation levels opens the door for consolidation play. We expect a significant increase in public to public and PTOs due to seek for increased buffers and maneuvering space.



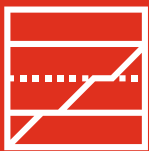
## **A good business is still a good business**

The end is coming close to businesses that have heavily been supported by cheap money during the booming times. Businesses that have been hit by the pandemic, but have strong fundamentals, may be attractive acquisition targets.



## **Divestments**

Corporations will divest to focus on their crown jewels. There will be companies forced to divest in the need of cash. Not all businesses to be divested are unprofitable, but just too far from the core business.



## **Differences between sectors**

The effect of the COVID-19 crisis on certain sectors will be permanent. Travel and leisure are sectors where transactions might be the only way out of the crisis. 'The new normal' might encourage strong businesses to adapt to change through acquiring underperforming competitors or parts of their supply chain.



## **Globalisation vs. localisation**

COVID-19 brought up the vulnerabilities in global supply chains and we expect corporations to explore new options including partnerships and M&A with local players too.

Note: 1) Read more on how deal making after COVID-19 affects corporate strategy: <https://www.strategy-business.com/article/Deals-will-reshape-industries-in-the-time-of-COVID-19?gko=fb0a7>  
Source: Strategy&, PwC



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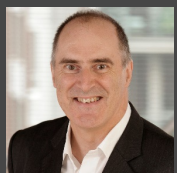
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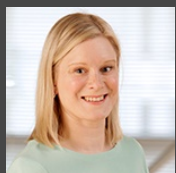
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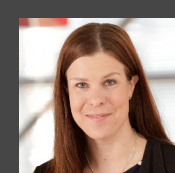
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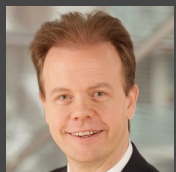
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