

Finnish M&A market update H1/2022

September 2022



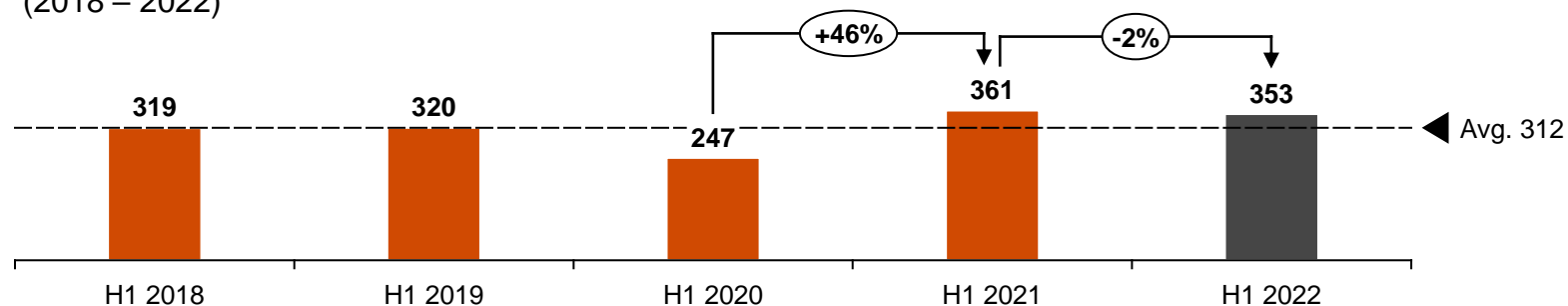
M&A market in Finland continued to be strong despite the geopolitical tension arising from the Russia's attack on Ukraine

Key takeaways

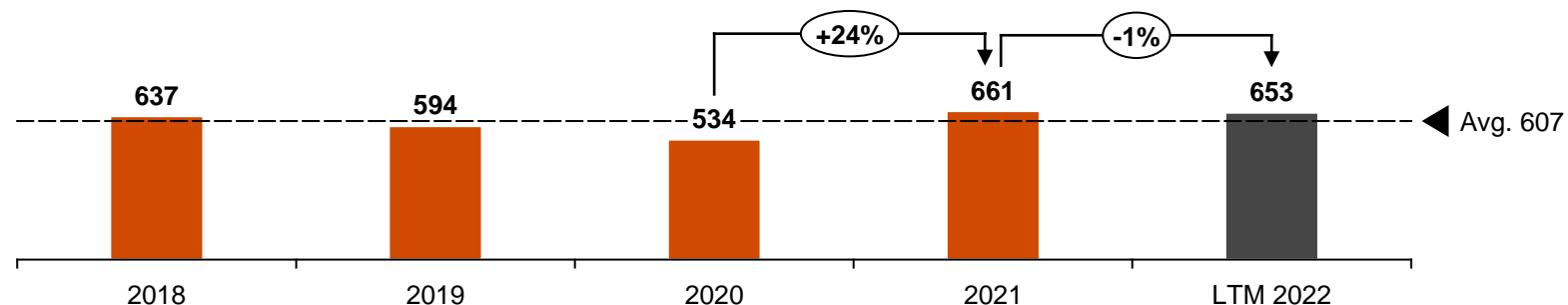
- After a record high year in M&A in 2021, the deals market continued to be strong surpassing the last four years average deals volumes.
- The slight volume decrease in H1 2022 was mainly driven by geopolitical tensions in Europe arising from the Russian invasion of Ukraine. The slowdown in several industries' deal volumes was offset by strong performance in professional services (+32 deals compared to H1 2021).
- The reduced IPO activity has favored the M&A market.
- While the H1 2022 transaction volume has remained on H1 2021 level, the contrast is that companies and investors are currently navigating through an environment with higher interest rates and inflation combined with changing growth outlook.

Number of announced deals in Finland

Number of announced deals in H1 (2018 – 2022)



Number of announced deals annually (2018 – LTM 2022)

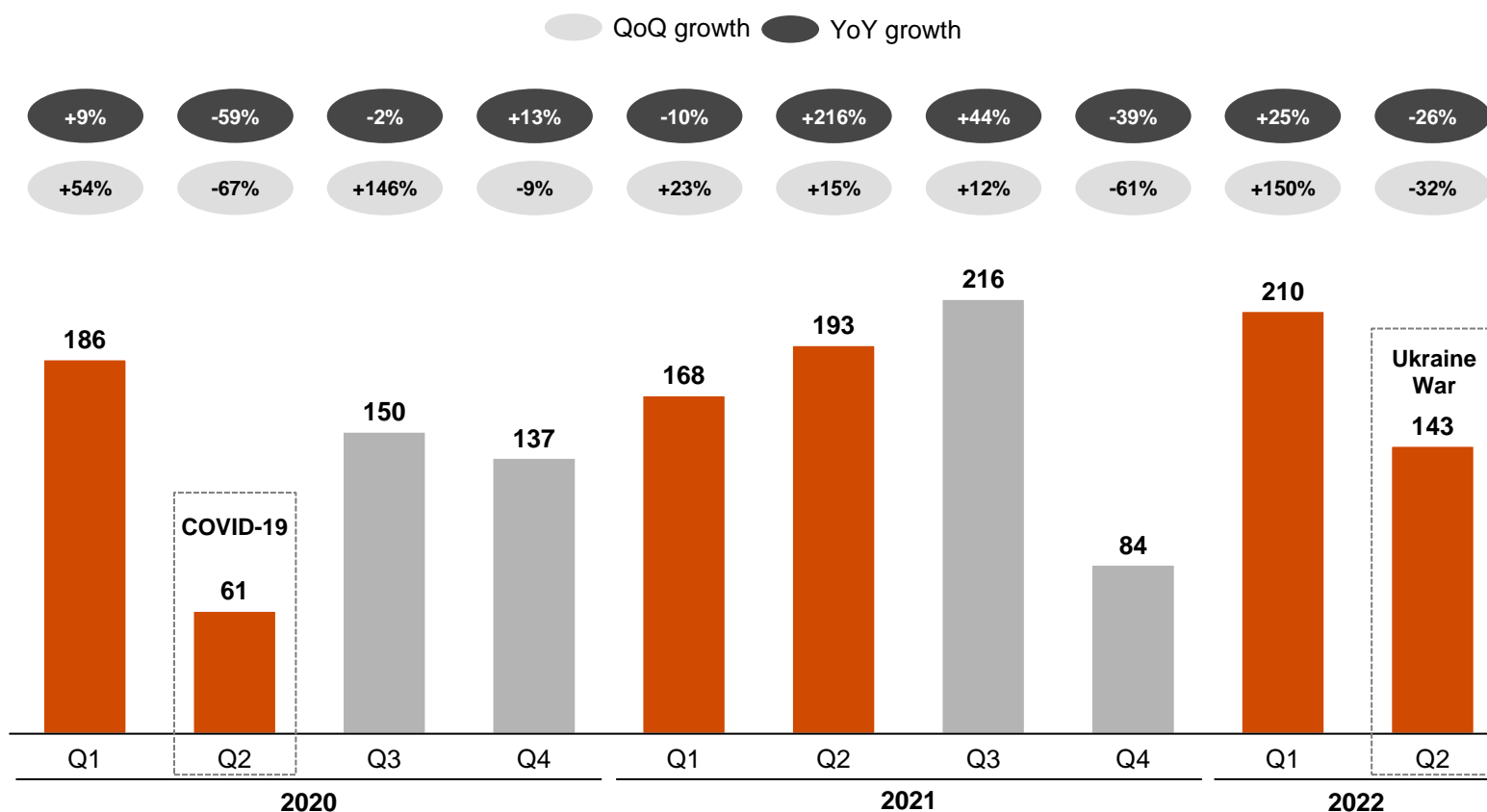


Q2 2022 M&A volumes were burdened by the geopolitical tensions in Europe, but were still clearly above the start of the COVID-19 crisis in Q2 2020

Key takeaways

- 2022 started strong with Q1 deal volumes surpassing the Q1 2021 deal volume by 25%. The increase was mainly driven by Finnish companies' increased activity in cross-border M&A.
- While the deal volumes in Q2 2022 were affected by the war in Ukraine, the volumes were over double compared to start of the COVID-19 crisis in Q2 2020.
- The decrease in Q2 2022 deal volumes compared to Q2 2021, was mainly due to Finnish companies' taking a more measured approach to M&A as domestic and outbound cross-border deals decreased by 38% and 18%, respectively. The decrease was partly offset by increased inbound cross-border volume, which surged by 30%.

Number of announced deals quarterly in Finland (2020 – 2022)



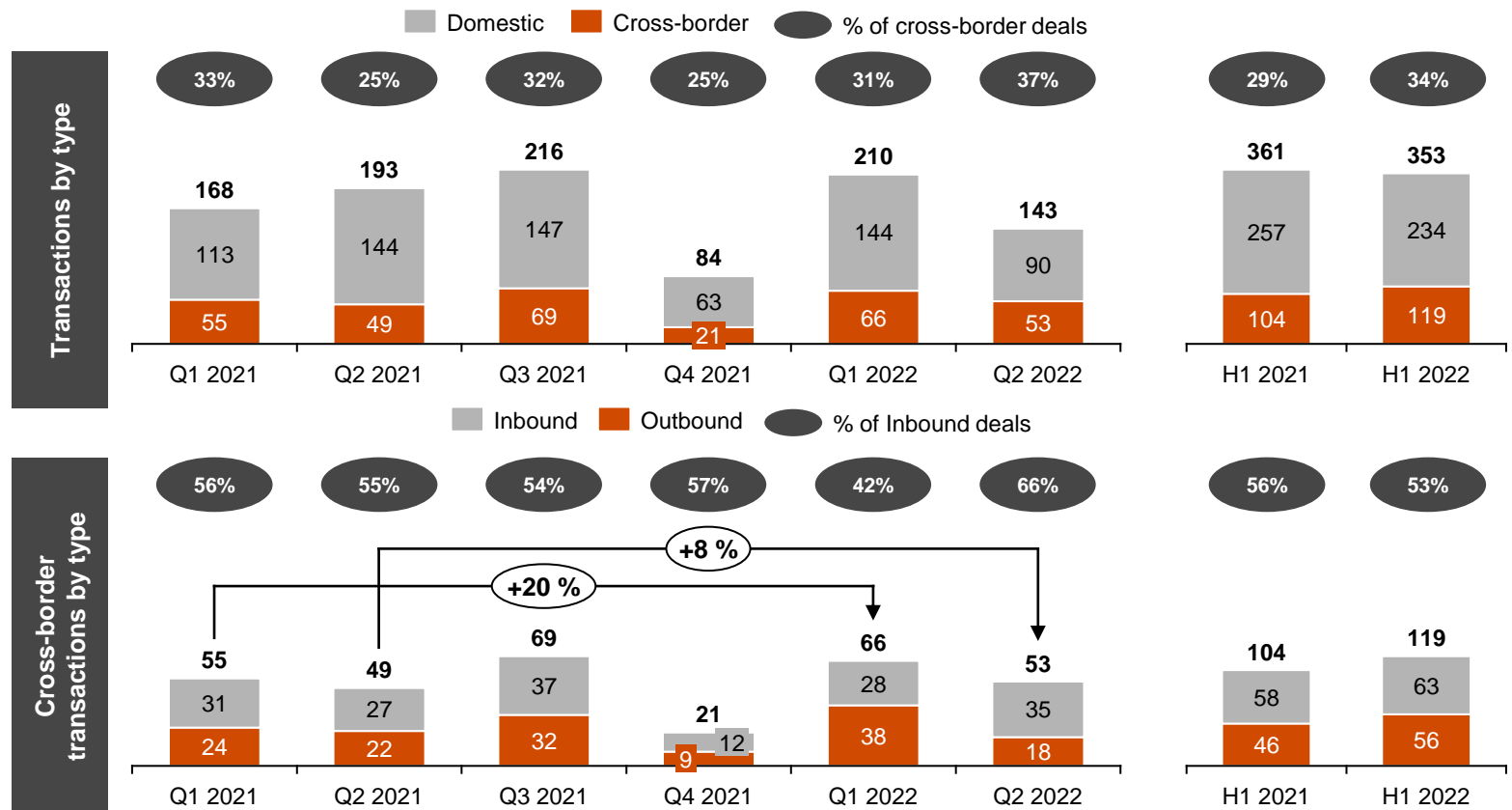
Source: Talouselämä, PwC Analysis

Divestments of Russian operations drove the increased cross-border activity in H1 2022

Key takeaways

- Decreased domestic volumes were partially offset by increased cross-border activity in H1 2022.
- Finnish companies were highly active in M&A during Q1 2022 as domestic and outbound cross-border acquisitions increased 27% and 58%, respectively from Q1 2021. In Q2 2022, activity slowed down showcasing some uncertainty.
- The sale of Russian operations accelerated the inbound cross-border deal activity in H1 2022.
- In Q2 2022, 20% (7 divestments) of the inbound transactions were associated to divestments regarding Russian operations.

Number of announced deals by type in Finland⁽¹⁾



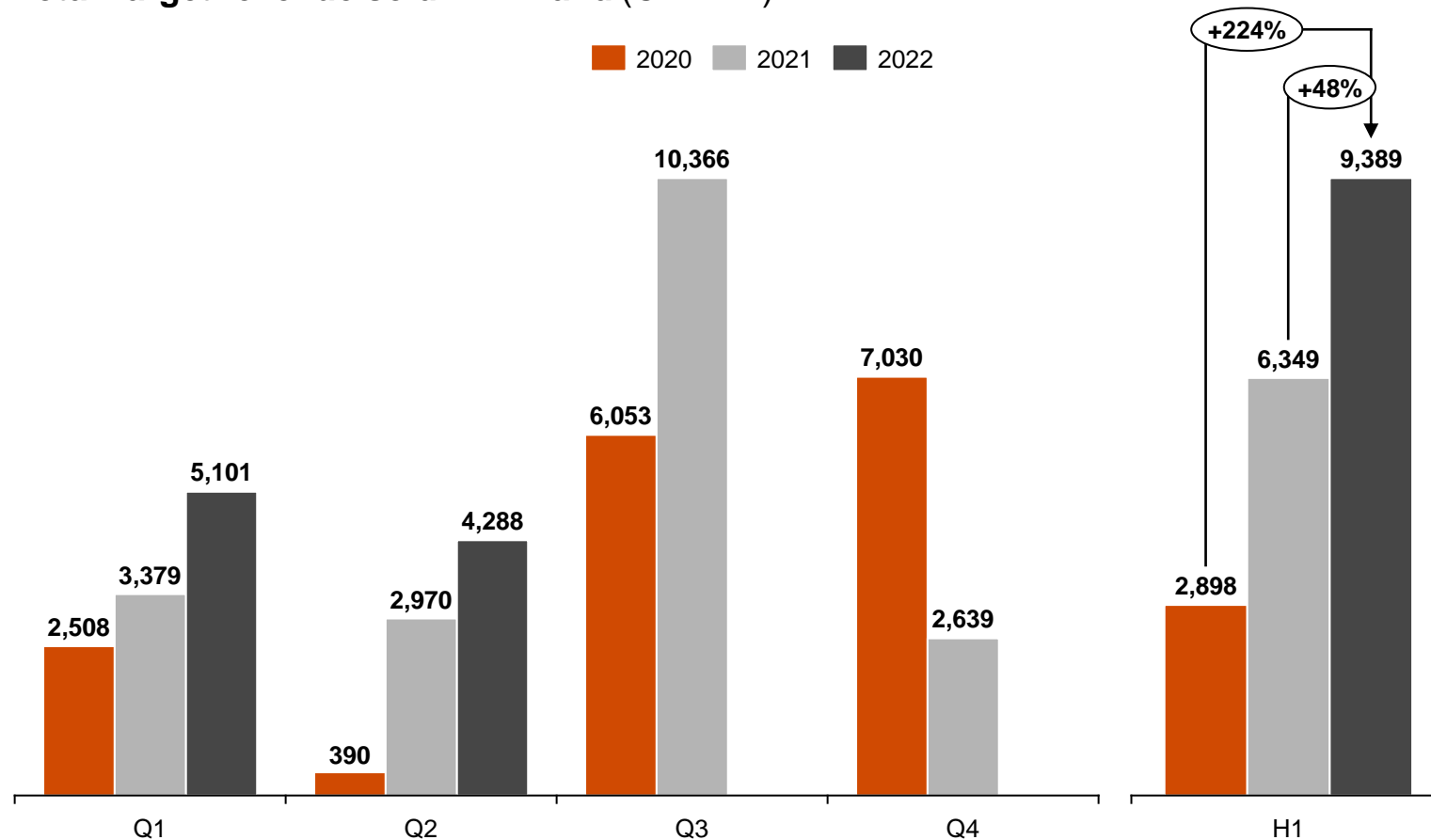
1) Split is based on PwC assessment
Source: Talouselämä, PwC Analysis

The total revenues at sale have increased more than the deal count driven by an increase in larger deals

Key takeaways

- In H1 2022 large target companies were a feature of M&A deals market in Finland when measured in revenue.
- The largest target companies acquisitions in H1 2022 were a mix of domestic and cross-border acquisition, for example:
 - Nordea's acquisition of Topdanmark Liv Holding
 - Amer Sport divested Suunto to Liesheng
 - Wetteri Yhtiöt acquired by Themis Holding
 - Basware acquired by Sapphire Bidco
 - Next Games acquired by Netflix
 - Multiple divestments of Russian operations (e.g. YIT, Paulig, Stora Enso, Valio)

Total Target revenue sold in Finland (€ million)



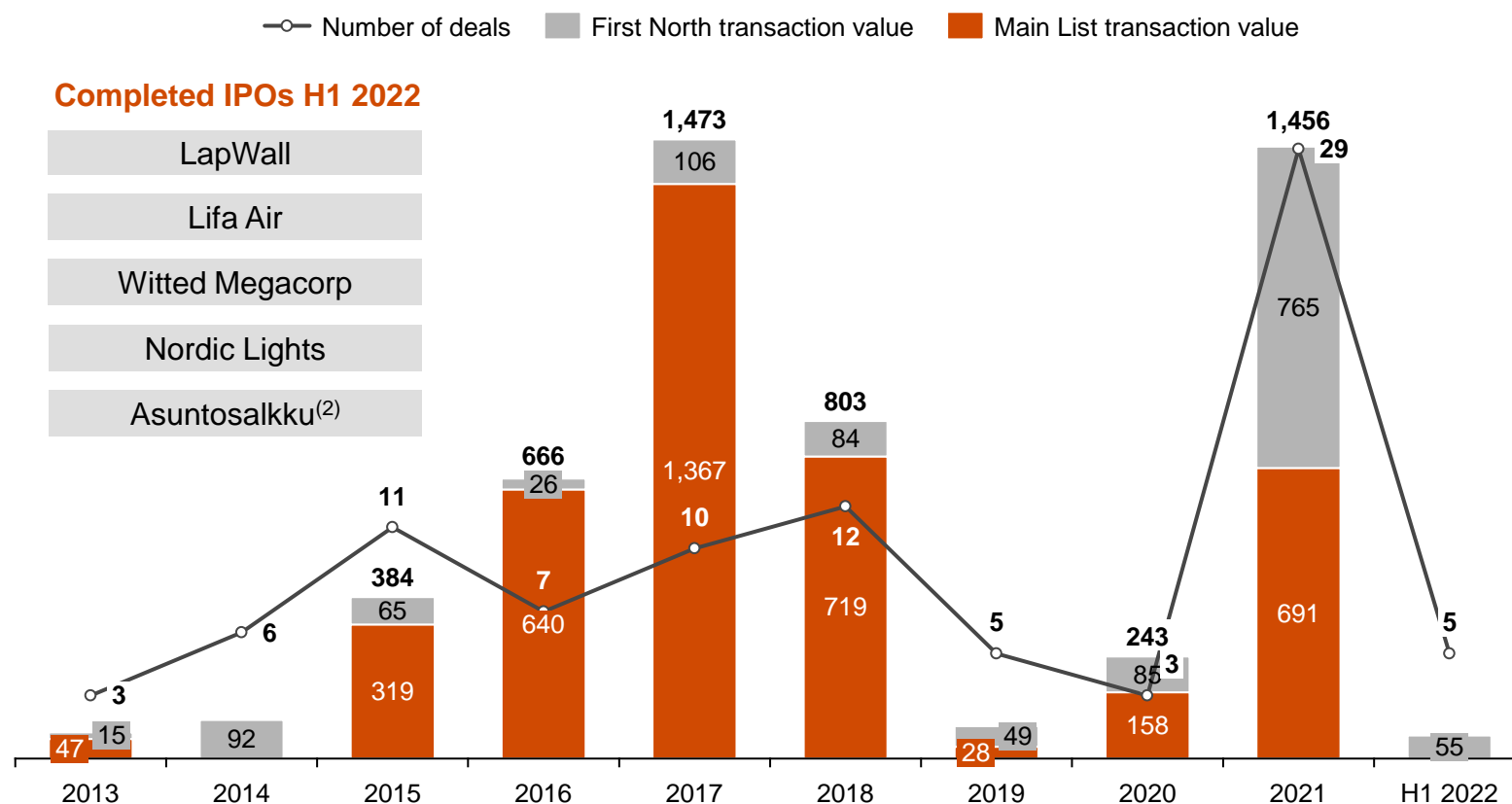
Source: Talouselämä, PwC Analysis

Finnish IPO activity has slowed down since the record activity in 2021

Key takeaways

- Higher interest rates and inflation, uncertainty resulting from the situation in Ukraine, as well as changing growth outlook drove the IPO volumes down from 29 in 2021 to 5 in H1 2022.
- Low IPO activity is anticipated to continue in H2 2022.
- COVID-19 was the main driver behind the decreased IPO volumes in 2020, while in 2019, companies perceived M&A more desirable alternative due to higher valuation levels in the private market.
- Reduced IPO activity has acted favourably towards the M&A market. However, the impact has not been dramatic as IPO's are mainly put on hold rather than shifted to M&A.

Capital raised in IPOs in € million and number of deals in Finland, 2013 – H1 2022⁽¹⁾



1) Data is based on IPOs listed in Capital IQ and Nasdaq Nordic and thus, should be treated as non-exhaustive

2) Technical listing

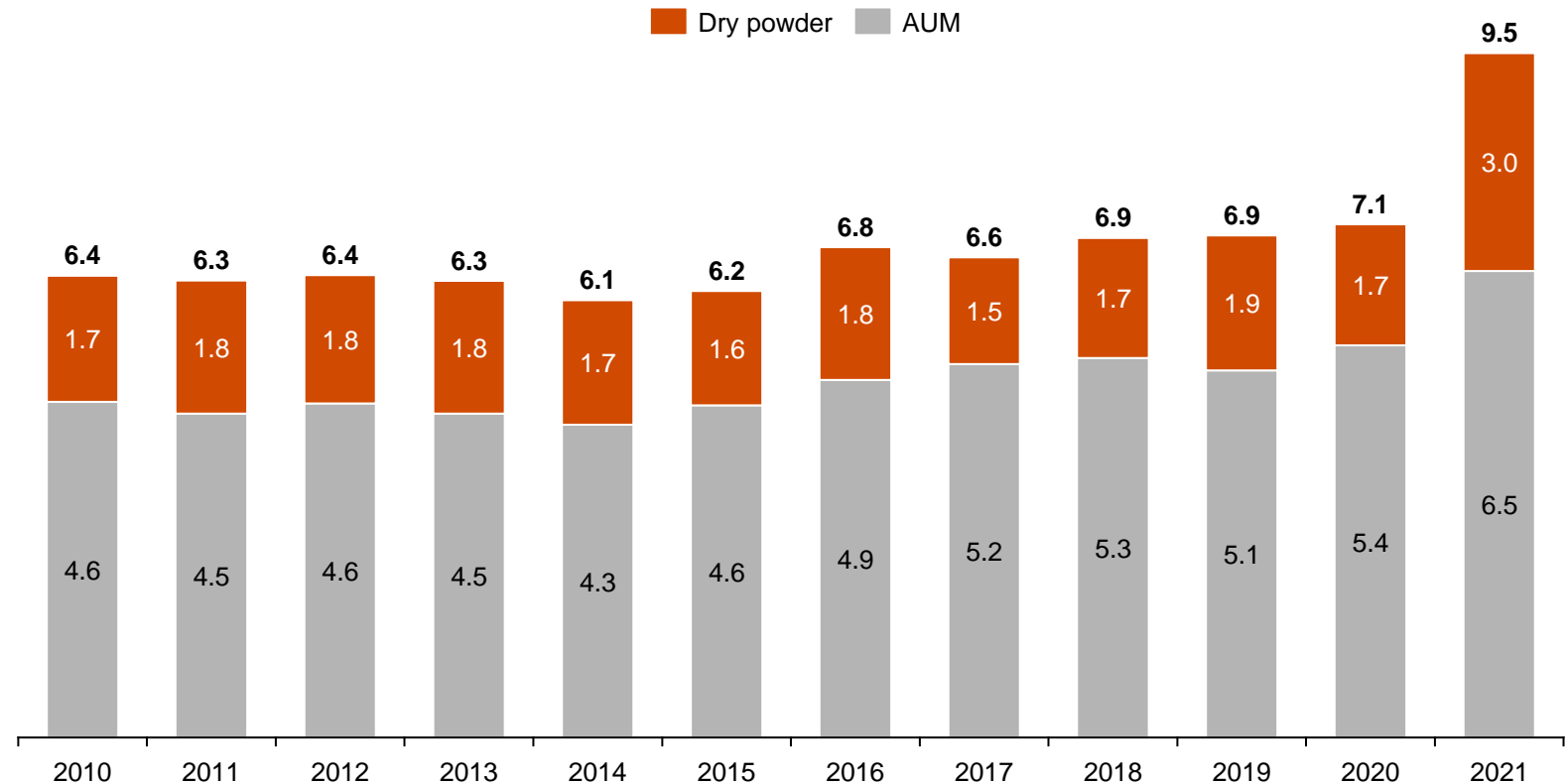
Source: Capital IQ, Nasdaq Nordic

Assets under management and dry powder of Finnish PE firms increased significantly in 2021

Key takeaways

- According to the Finnish Venture Capital association, domestic buyout and growth investors have ~€3bn of dry powder, almost doubling that from 2020.
- Finnish Buyout and growth investors raised €1,4bn in 2021 – a new record.
- Covid-19 had only a momentarily effect as investor confidence returned quickly. The impact of the war in Ukraine is still somewhat unclear, as it might affect how foreign funds view the country risk of Finland.
- The decreased attractiveness of IPOs emphasizes M&A as the preferred route to exit for many sellers
- The increase in dry powder will support deals volumes going forward, but the increased market uncertainty and high cost inflation on selected industries will likely lead to increased valuation dispersion between deals and industries

Assets under management and Dry Powder in Finnish Buyout Funds (€ billion)



1) Data is based on IPOs listed in Capital IQ and Nasdaq Nordic and thus, should be treated as non-exhaustive
 2) Technical listing
 Source: Capital IQ, Nasdaq Nordic

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