

Finnish M&A market update H1 2023

September 2023



The Finnish M&A Market has slowed down during the last 12 months – we expect the activity to pick up in early 2024

Deal volumes have decreased by 22% on a LTM basis

- The higher interest rates and market uncertainties have pushed the market down both in domestic (-33%) and cross-border deal volume (-44%) in H1 '23 vs. H1 '22
- The M&A activity for small and mid-sized companies (revenue under €250m) has remained relatively active in H1 '23, whereas the deal market for large companies (revenue over €250m) dropped in Q1 '23 before picking up again in Q2 '23

The tide turned from IPOs to PTOs in capital markets

- H1 '23, saw only one listing in the Helsinki exchanges (Pohjanmaan Arvo Sijoitusosuuskunta's technical listing), however we saw as many PTOs in H1 as during the last two years preceding it. The activity was mainly driven by foreign investors
- If the inflation calms down and interest rates stabilize, we expect to see a positive impact on equity valuations which could bring back the IPOs during '24

Portfolio reviews and carve-outs are on the rise

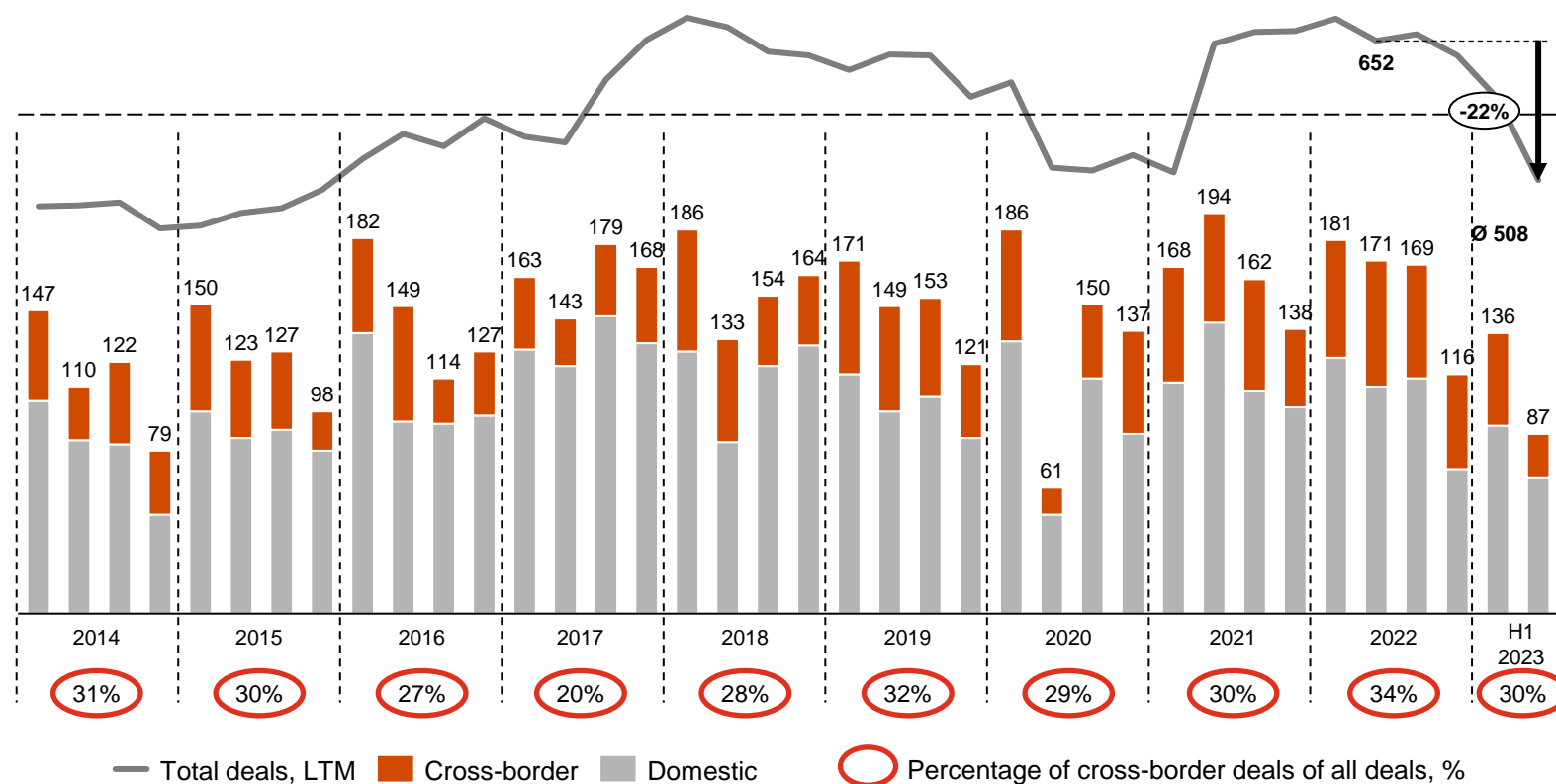
- During '22-'23, we have seen a sharp increase in strategic review announcements, as companies re-evaluate their capital allocations in the era of increased yield requirements. This has resulted in several spinoff / carve-out announcements and we expect this trend to continue going forward

Activity to pick up in early 2024

- After a slow Q1 '23 we saw a seasonal pick-up in activity levels in May and June, and expect the market to start recovering towards the end of the year or in early 2024 at the latest.
- PEs and corporates have the firepower to re-engage in acquisitions. As more deals come through, the new normal in pricing starts to settle in supporting the deal market going forward

Finnish M&A market remains active though overall volume has declined since H2 22', as market uncertainties remain

Quarterly deal transaction volume by deal count from 2014 – H1 2023

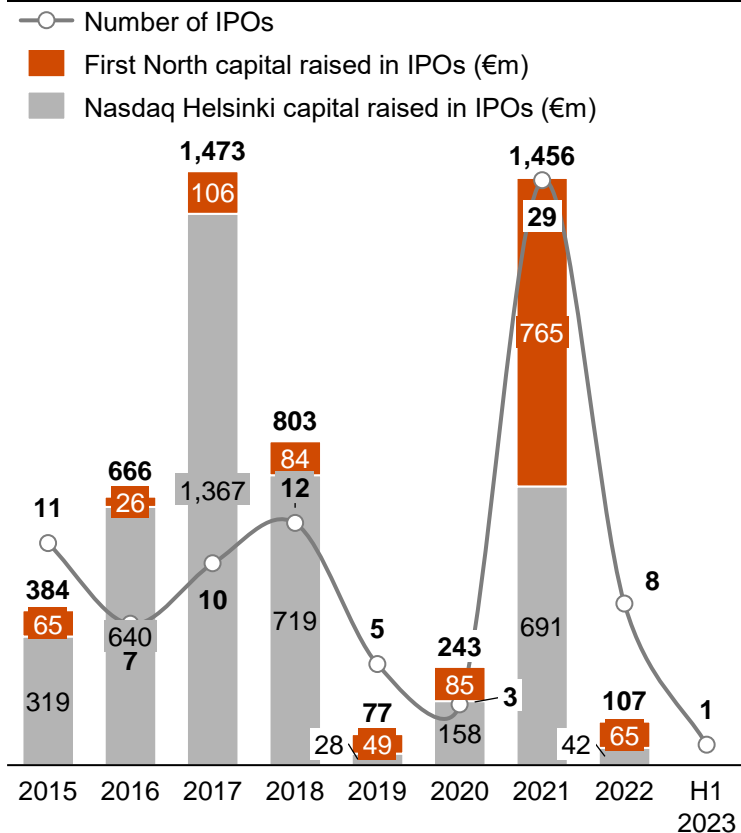


Key takeaways

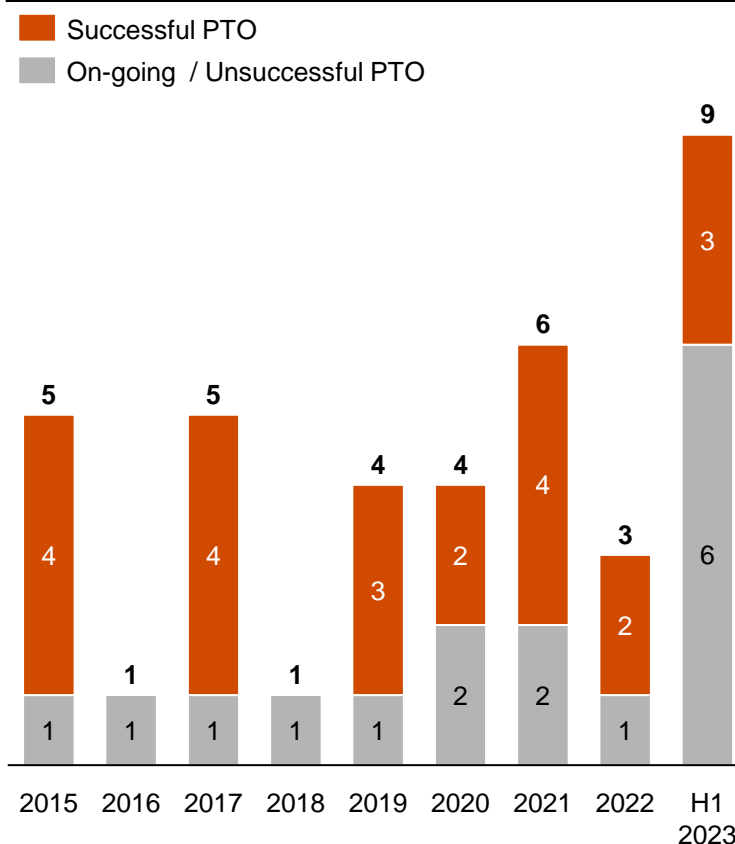
- Finnish M&A activities slowed down in 2nd half of '22 and the momentum has continued in H1 '23 as challenges caused by high interest rates and inflation remains
- The decline in deal volumes has been mainly driven by the lowering volumes in smaller deals (target revenue under €250m)
- On a Q-o-Q basis, in Q2 '23, domestic deal volume declined in almost every sector, yet deals in consumer goods sector increased
- For cross-border deals, deal volumes decreased significantly in Q2 '23 (-53%), driven by the decrease in smaller deals (target revenue under €250m). However, the activity increased in larger deals, driven mostly by foreign buyers and a few other landmark deal announcements

The IPO market has practically shut down, whereas PTOs have picked up with 9 cases during the first half of 2023

Capital raised in IPOs (€m) and # of IPOs



Number of PTOs between 2015-H1 2023

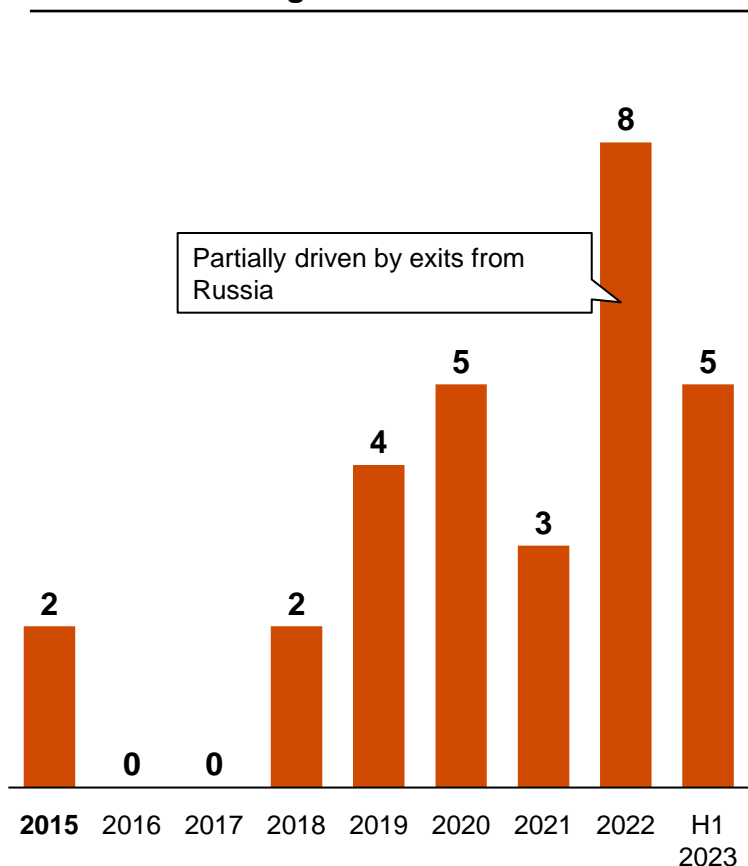


Key takeaways

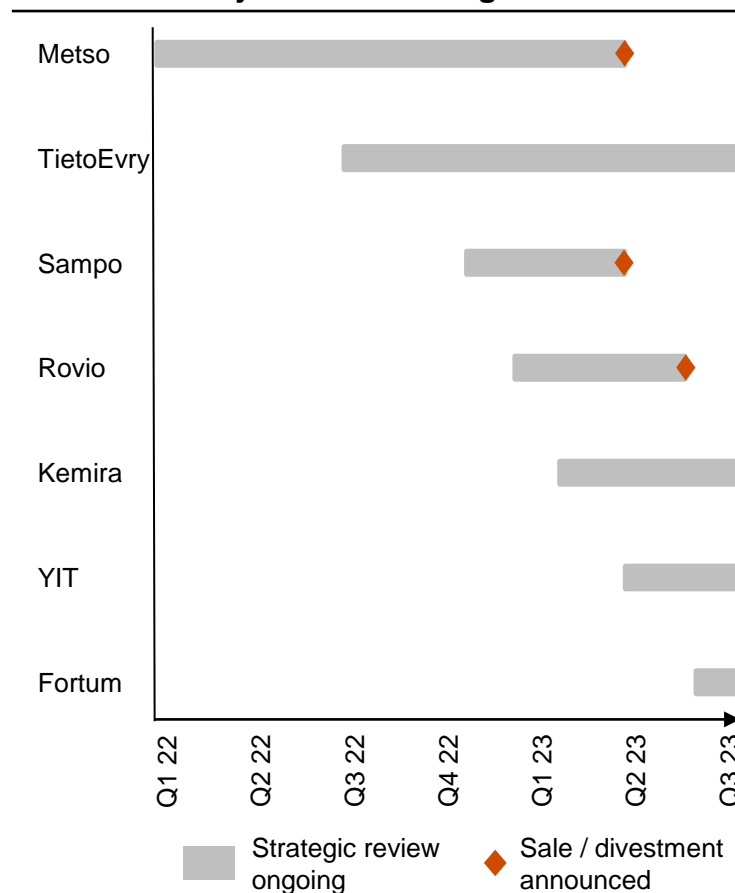
- The Finnish IPO market in first half of 2023 has been inactive with the exception of Pohjanmaan Arvo Sijoitusosuuskunta's technical listing
- While the IPO market has been quiet, the PTOs have picked up. The first half of 2023 witnessed 9 PTOs – clearly above historical levels
- The bids include several large, over €500m transactions such as the bids for Caverion, Rovio and Uponor
- Notably the action seems to be partly driven by foreign bidders with 7 out of the 9 bids in H1 2023 have included a foreign bidder
- Several companies have been speculated to list in the near future. If the interest rate development stabilizes and equity valuations make a comeback, we expect to see several IPOs in Helsinki, perhaps as early as 2024

Growing number of listed firms have initiated a strategic review of their portfolios in 2022-2023, which will increase carve-out deals

Number of strategic reviews announced



Timeline of major recent strategic reviews

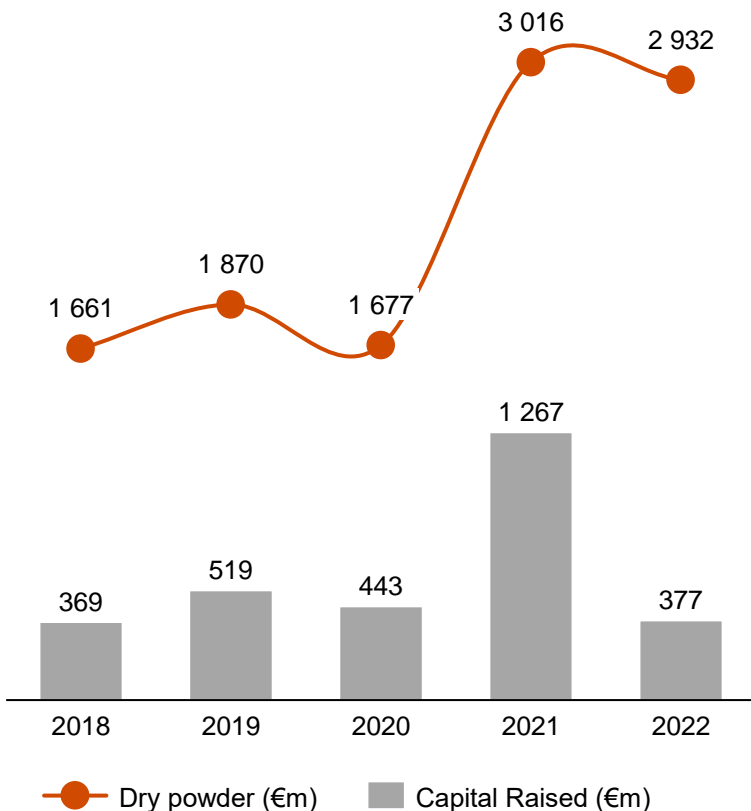


Key takeaways

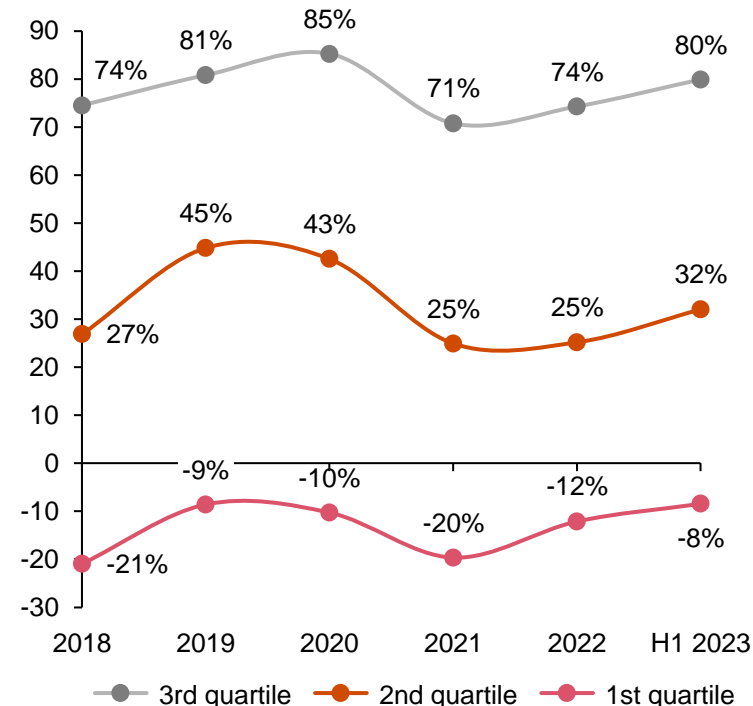
- Numerous major Finnish firms have initiated strategic reviews which have led to divestments of their non-core businesses
- Divestitures of Russian businesses drove the number of divestments and strategic reviews in 2022, but this year firms have been responding more to the market conditions
- We expect the prevailing trend to continue, as companies reconsider their capital allocations due to the increased yield requirements
- Aside from capital constraints, ESG and strategic refocusing have been driving the portfolio reviews
- So far, we have not seen a wave of restructurings and distressed disposals, even as bankruptcy filings have been on the rise for some time

Both the private equity and the corporate side have ample firepower for M&A – which we expect to translate into increased deal activity by 2024

Finnish PE fund dry powder and capital raised



Net gearing by quartile for public Finnish firms



Key takeaways

- Due to exceptional fund-raising in 2021, PE funds are well equipped to deploy capital going forward
- In addition, a significant part of Finnish publicly listed firms remain conservatively leveraged, which provides them with strategic room to maneuver
- We saw activity to pick up prior to the summer holiday season at least seasonally with some momentum maintained in the early fall. However, we expect the market to only start recovering from late 2023 or early 2024 onwards.
- We see that the Finnish PE firms and public companies with healthy balance sheets have the resources to complete transactions, especially once the views on valuation converge and macroeconomic uncertainties fade away
- If the IPO market remains shut, M&A will be the only viable exit option for sellers

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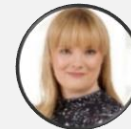


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