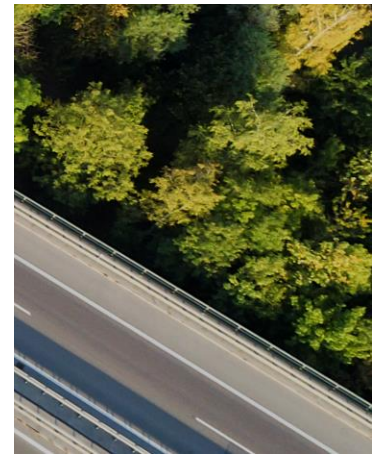
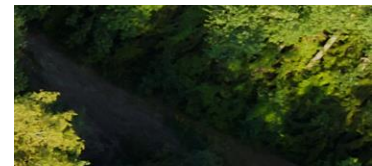
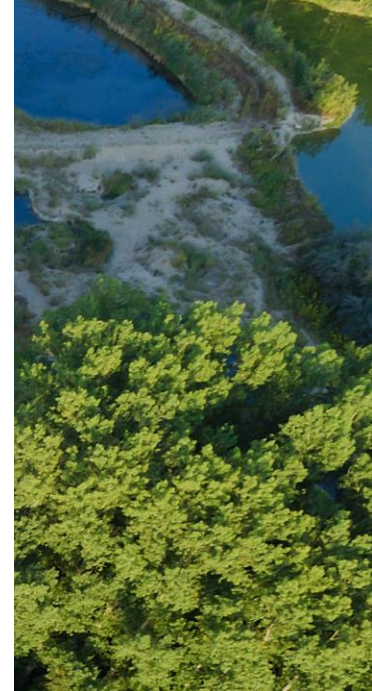
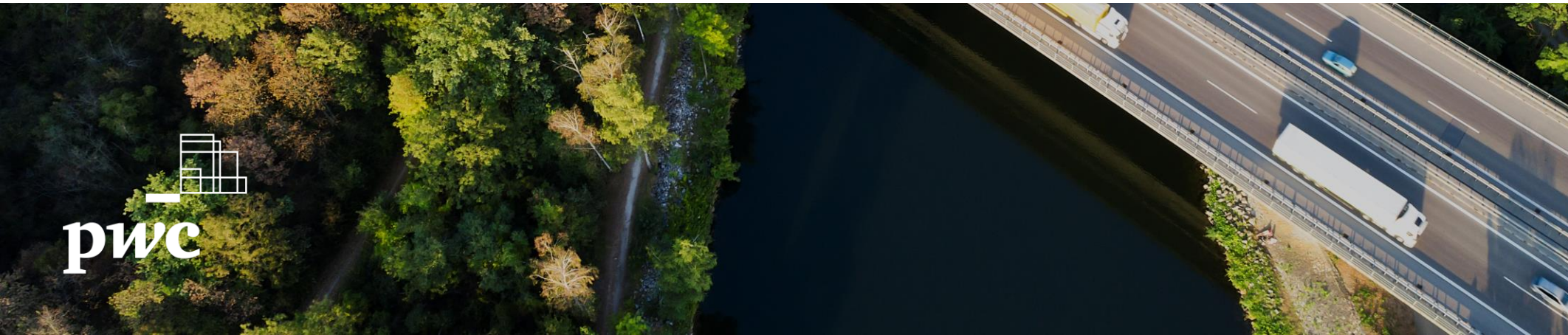




Finnish M&A market update 2024

January 2025



The Finnish M&A market is starting to display signs of recovery and increased optimism

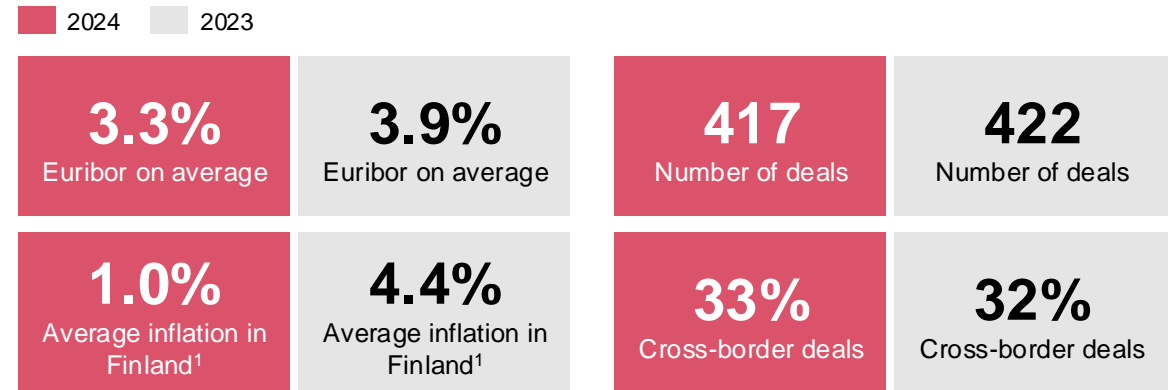
Finnish M&A market overview

Looking back on 2024, we reflect on the past year and set our sights on 2025. Our analysis will highlight the Finnish M&A market in 2024, exploring its connection to global M&A trends, with insights from professionals at PwC Finland.

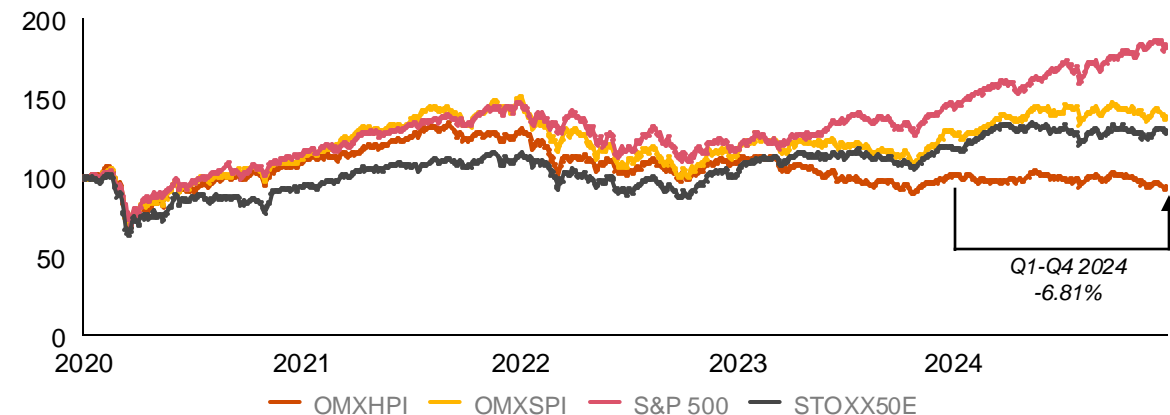
Key observations from our report:

- While several markets experienced growth during 2024, Finnish companies dealt with numerous challenges, resulting in a decline of 6.81% for the OMXHPI index
- However, during the fourth quarter of 2024, the Finnish M&A market showed signs of recovery, achieving the highest number of deals since the first quarter of 2023
- The surge in activity was supported by the European Central Bank's interest rate cuts, enabled by declining inflation
- Throughout 2024, the economic outlook brightened, with forecasts indicating economic growth and a reduction in unemployment rates for 2025
- The industrials and professional services sectors experienced the most significant M&A activity, while the energy sector saw an impressive 50% growth in M&A transactions year-over-year
- As we look forward to 2025, the IPO market is expected to pick up in activity, with many companies lined up for listing

Local key figure comparison



Stock indices during 2020 – 2024



Note(s): (1) Harmonised index of consumer prices

Source(s): Bank of Finland, Capital IQ, Statistics Finland, Talouselämä, PwC analysis

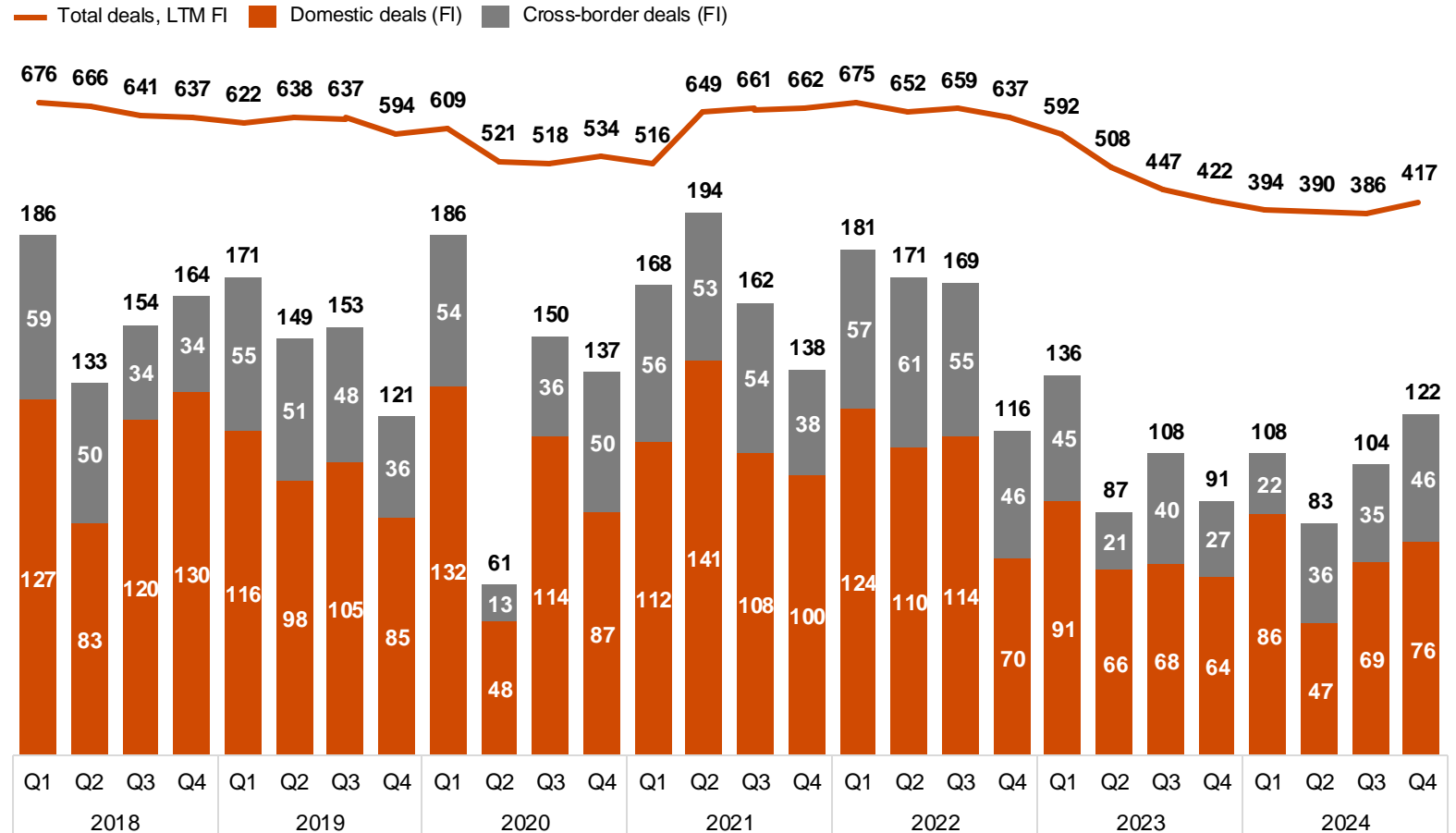
The deal market saw a significant increase in Finnish M&A activity in the fourth quarter of 2024

“ The Finnish M&A volume is finally trending upward

Key takeaways

- In Q4 2024, the Finnish M&A activity saw an upward trend, with the last twelve months (LTM) figures showing an 8% increase, changing the declining trend that has been ongoing since 2022
- During Q4, both cross-border and domestic deals grew, with cross-border transactions reaching their highest levels since Q4 2022 indicating confidence of international investors
- Notable deals during Q4 2024 included CapMan Infra's acquisition of ProPellet and CBRE Investment Management's purchase of Geonova Oy
- The average LTM deal volume in Finland over the past decade (2015-2024) has been 561 deals

Finland quarterly transaction volumes



Note(s): Finnish transaction data does not include targets with revenues of under EUR 0.5m

Source(s): Talouselämä, PwC analysis

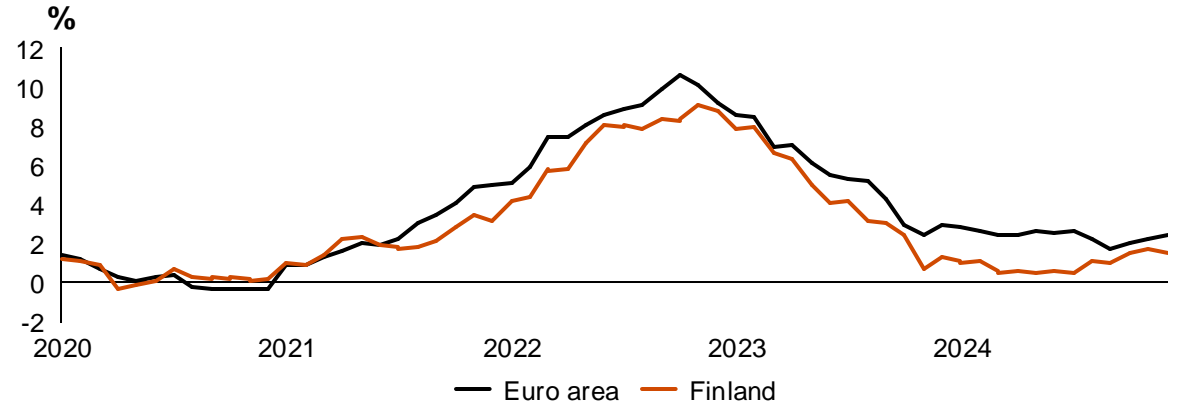
Moderate inflation and interest rate cuts provide support for M&A activity and transactions

“ Easing financing conditions are expected to catalyse M&A activity both in Finland and Euro area

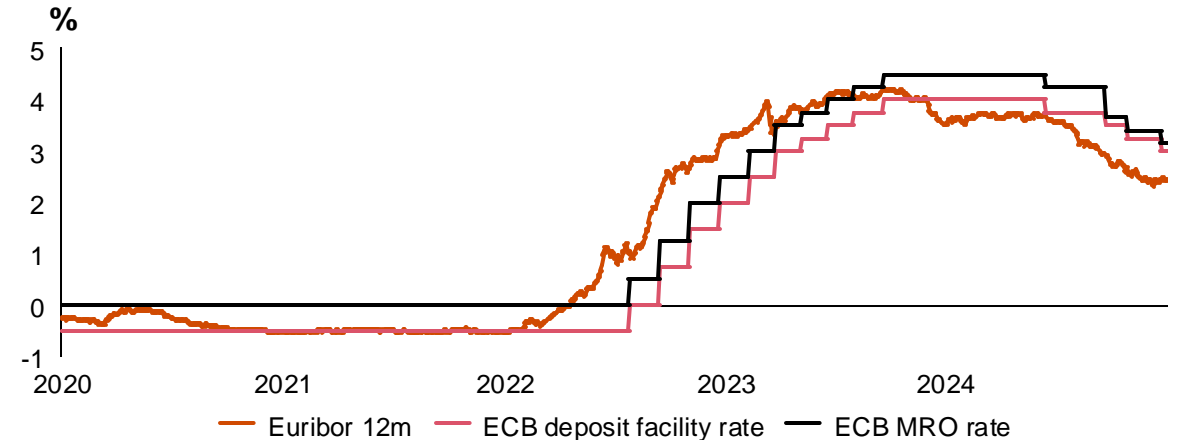
Key takeaways

- Inflation in Finland has significantly slowed during 2024 compared to the rapid increase in inflation experienced during 2022 and 2023. According to the Bank of Finland, inflation is projected to remain below 2% in the coming years
- In response to the easing inflation outlook, the European Central Bank made four interest rate cuts throughout the year 2024, with the latest occurring on December 18, 2024
- The ECB’s deposit facility rate is currently set at 3.00%, while the main refinancing operations (MRO) rate stands at 3.15%
- The anticipated further reductions in interest rates continue easing financing conditions. The upcoming period of moderate inflation and decreasing interest rates is expected to support economic recovery and provide a more favourable environment for M&A activity and transactions

Inflation rates in Euro area and Finland, %



Euribor 12-month and ECB policy rates, %



Finnish transaction volumes are increasing driven by the improving economic outlook

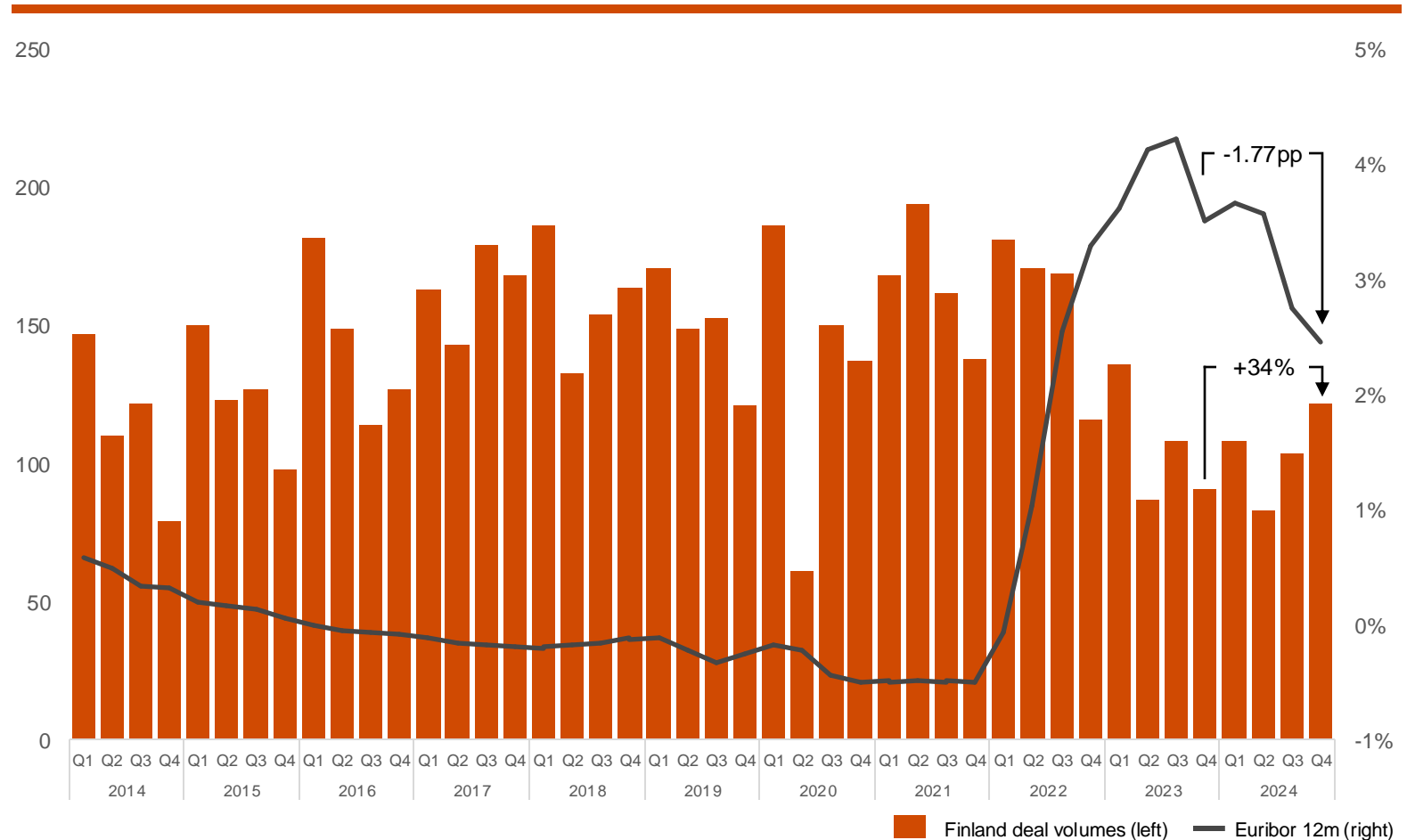


“ Lower borrowing costs are boosting deal volumes

Key takeaways

- The economic outlook improved during 2024, with transaction volumes in Q4 2024 increasing by 34% compared to Q4 2023
- This growth aligns with the European Central Bank's decision to cut interest rates, which has been a major change from 2023, when increasing rates limited transaction volumes
- Looking ahead, deal volumes are expected to continue growing in the upcoming year, driven by the ECB's ongoing interest rate reductions
- The reduction in cost of capital is anticipated to boost transaction volumes and contribute positively to overall valuations in the market

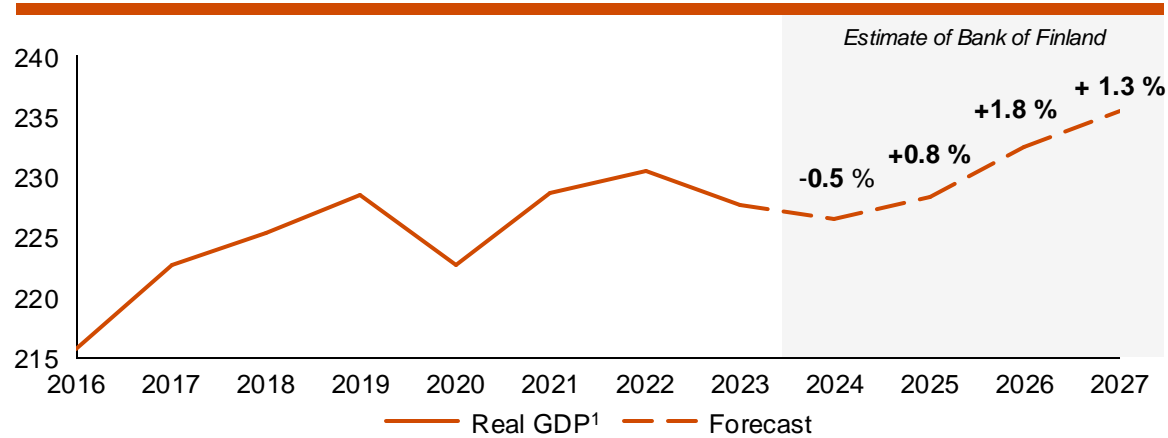
Finland quarterly transaction volumes vs. Euribor 12-month



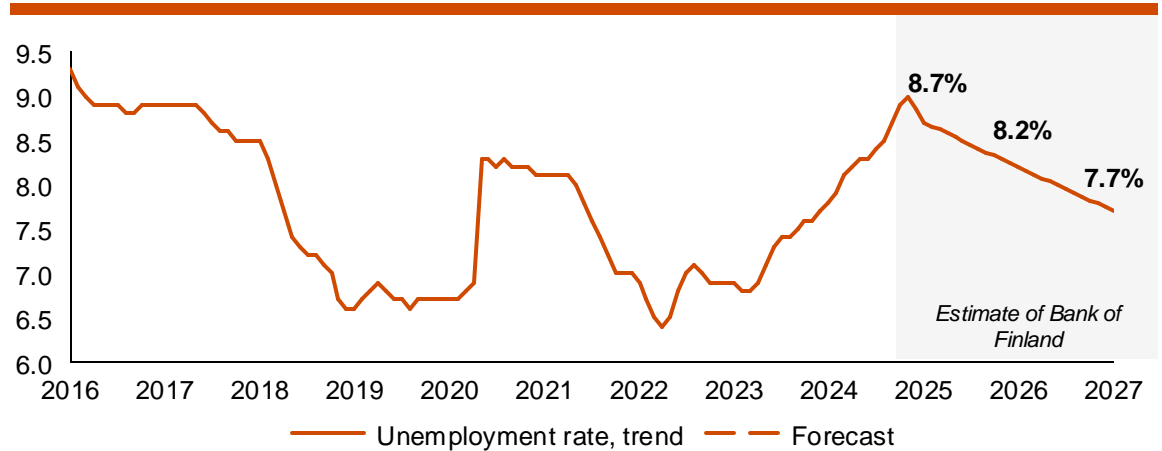
Note(s): Finnish transaction data does not include targets with revenues of under EUR 0.5m
 Source(s): European Central Bank, Talouselämä, PwC analysis
 PwC

Forecasted economic growth and strengthening job market are likely to fuel M&A transactions in the coming years

Gross domestic product (GDP) in Finland, €bn



Trend of unemployment rate in Finland, %



Note(s): (1) Volume series, reference year 2015
 Source(s): Bank of Finland, Statistics Finland, PwC analysis
 PwC

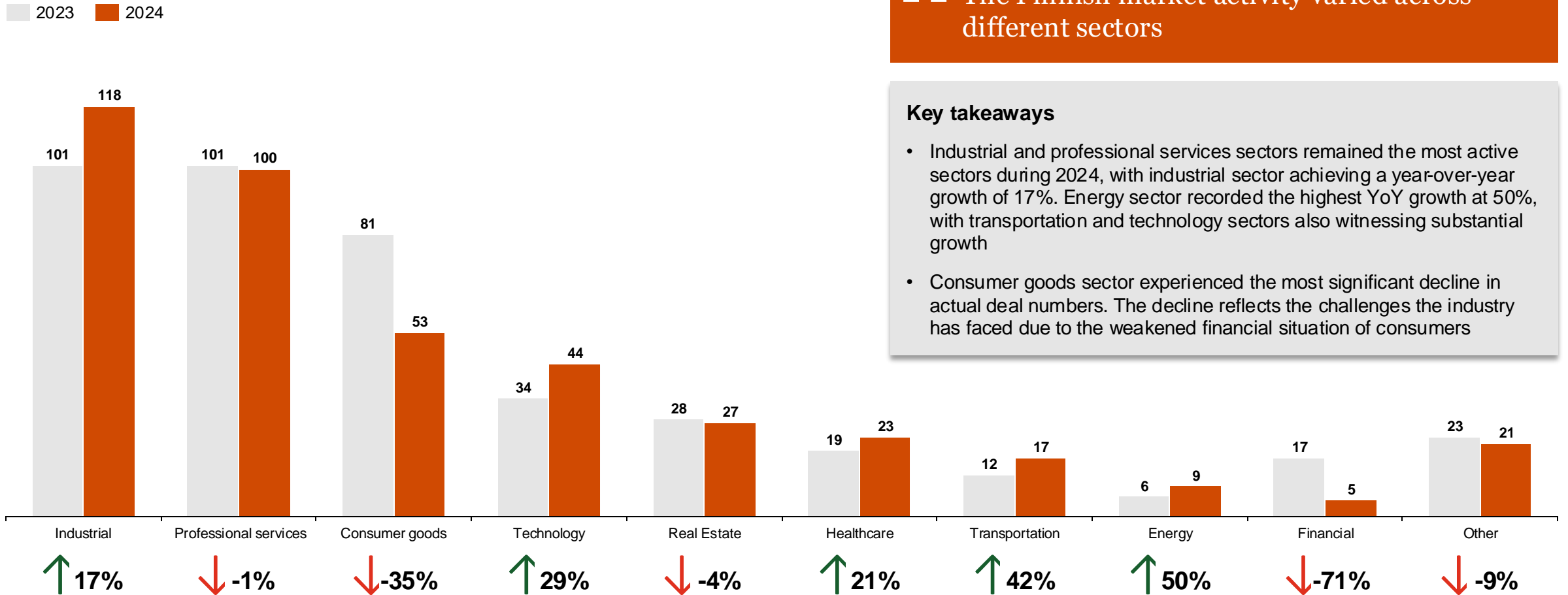
Positive economic indicators are supporting the deal market

Key takeaways

- As the interest rates and forecasted economic trends indicate, the economic outlook for Finland is recovering
- The Bank of Finland’s December 2024 forecast for the Finnish economy suggests a gradual recovery from the current downturn, with economic growth strengthening in the latter part of the forecast period
- Finnish real GDP is anticipated to contract by 0.5% in 2024 but projected to grow by 0.8% in 2025, supported by expected decreases in interest rates
- As the economy continues recovering, real GDP growth is forecasted to accelerate to 1.8% in 2026 and 1.3% in 2027
- Confidence in the economy remained weak throughout 2024, and the unemployment rate continued to rise. However, the unemployment rate is expected to start declining from current 9.0% to 8.7% in 2025, and further decrease to 8.2% in 2026 and 7.7% in 2027

Development of M&A activity differed across industries, with highest growth in energy, transportation and technology sectors

Industry development by number of deals in Finland, growth year-over-year








“ The Finnish market activity varied across different sectors

Key takeaways

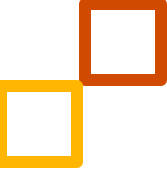
- Industrial and professional services sectors remained the most active sectors during 2024, with industrial sector achieving a year-over-year growth of 17%. Energy sector recorded the highest YoY growth at 50%, with transportation and technology sectors also witnessing substantial growth
- Consumer goods sector experienced the most significant decline in actual deal numbers. The decline reflects the challenges the industry has faced due to the weakened financial situation of consumers

Multiple strategic reviews were announced and completed during the year, which will likely continue in 2025

Selected strategic portfolio reviews

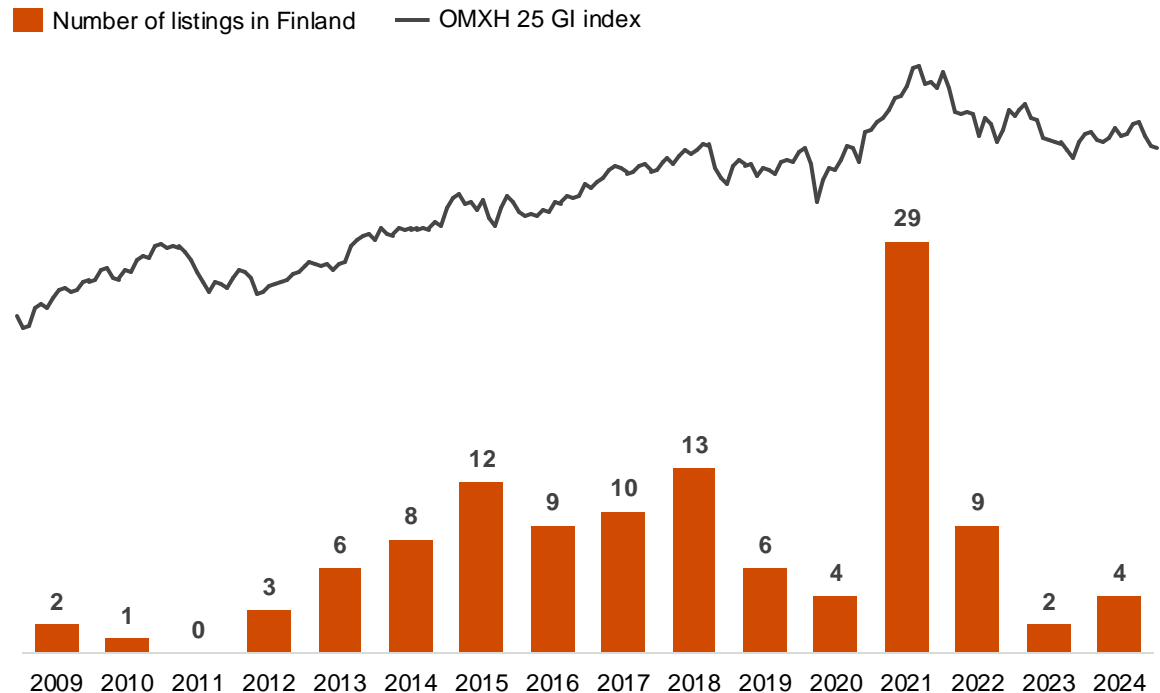
2023	2024	
<p>Fortum (2023) In Progress </p> <p>Fortum initiates strategic review of its Circular Solutions businesses</p> <p>Fortum has decided to assess strategic options, including potential divestments, of its Circular Solutions businesses. On 18 July 2024 Recycling and waste businesses were announced to be sold to Summa Equity, while other businesses remain under strategic review.</p>	<p>Wärtsilä (2023) In Progress </p> <p>Wärtsilä begins a strategic review of its Energy Storage and Optimisation business</p> <p>Wärtsilä started their strategic review process on 31 October 2023, planning to divest its Energy Storage and Optimisation and Gas Solutions businesses. On 13 December 2024 Wärtsilä announced its divestment of Automation, Navigation and Control Systems business to Solix.</p>	<p>Lassila & Tikanoja (2024) In Progress </p> <p>L&T plans to separate its circular economy and facility services businesses</p> <p>On 13 December 2024, L&T announced its decision to begin planning of the possible separation of its circular economy businesses and facility services businesses into two independent listed companies through a partial demerger.</p>
<p>Cargotec (2023) Completed </p> <p>Cargotec is planning a separation of Kalmar and Hiab</p> <p>On 27 April 2024, Cargotec announced plans to explore separating its core businesses, Kalmar and Hiab, into two independent companies. On 1 July 2024, demerger and listing of Kalmar was completed, and on 14 November 2024, Cargotec announced that MacGregor business will be sold to Triton.</p>	<p>Aspo (2024) In Progress </p> <p>Aspo's new strategic portfolio vision</p> <p>Aspo plans to create two separate companies in the coming years: Aspo Compounder and Aspo Infra. Due to differing business models and ESG strategies, ESL Shipping will be part of Aspo Infra, while Telko and Leipurin will be included in Aspo Compounder. Possible approaches include for instance demergers, IPOs and business sales.</p>	<p>Enersense (2024) In Progress </p> <p>Enersense has revised its strategy and will focus on its core businesses</p> <p>On 19 June 2024, Enersense announced a strategic review of its onshore wind and solar power project development. It will also evaluate its offshore wind operations and zero-emission transportation solutions. In October 2024, Enersense reported that the review was proceeding as planned, with possibility of divestment.</p>

Several companies are preparing for IPOs in Finland, a trend expected to gain momentum during 2025



“ Finland is expected to follow the increasing trend seen in other Nordic markets

Number of IPOs in Finland



Key takeaways

- The Nordic IPO market started to gain momentum during 2024, with Sweden leading in the number of listings. While IPO activity in other countries has been recovering more quickly, the Finnish market has historically followed global trends with a slight delay
- During 2024, the Finnish stock market experienced five listings, with Kempower being a list transfer and therefore not represented in the chart. The largest listing among these was Kalmar as a result of the partial demerger of Cargotec. Notably, Finland has not experienced a traditional IPO since 2023
- High volatility combined with the modest performance of the Finnish stock market created challenges for the Finnish IPO market during 2024. However, Finnish companies are expected to be more active in going public in the upcoming year and the number of listings is anticipated to grow substantially during 2026. Key factors driving this potential increase in IPO activity include decreasing interest rate levels and market volatility
- In Finland, the first companies expected to go public are likely large, profitable corporations. In addition, IPOs involving private equity-backed companies are anticipated to increase as private equity firms leverage the improving market conditions by taking mature companies public



More information about the IPO market in our Nordic IPO Watch 2024 and in our IPO Watch EMEA 2024

Note(s): Data includes special transactions such as dual and reverse listings. Data excludes transfers between Finnish lists and should be treated as non-exhaustive.
 Source(s): Nasdaq Helsinki, PwC analysis
 PwC

We see the deal volumes increasing slightly in Q1

Machine-learning to predict the market outlook

With the rising prominence of Artificial Intelligence, we have integrated machine learning into our M&A market update, enabling us to forecast the future in smarter, more insightful ways rather than relying solely on past data and traditional analyses. Let's delve into how this approach shapes our perspectives for Q1.

What is it?

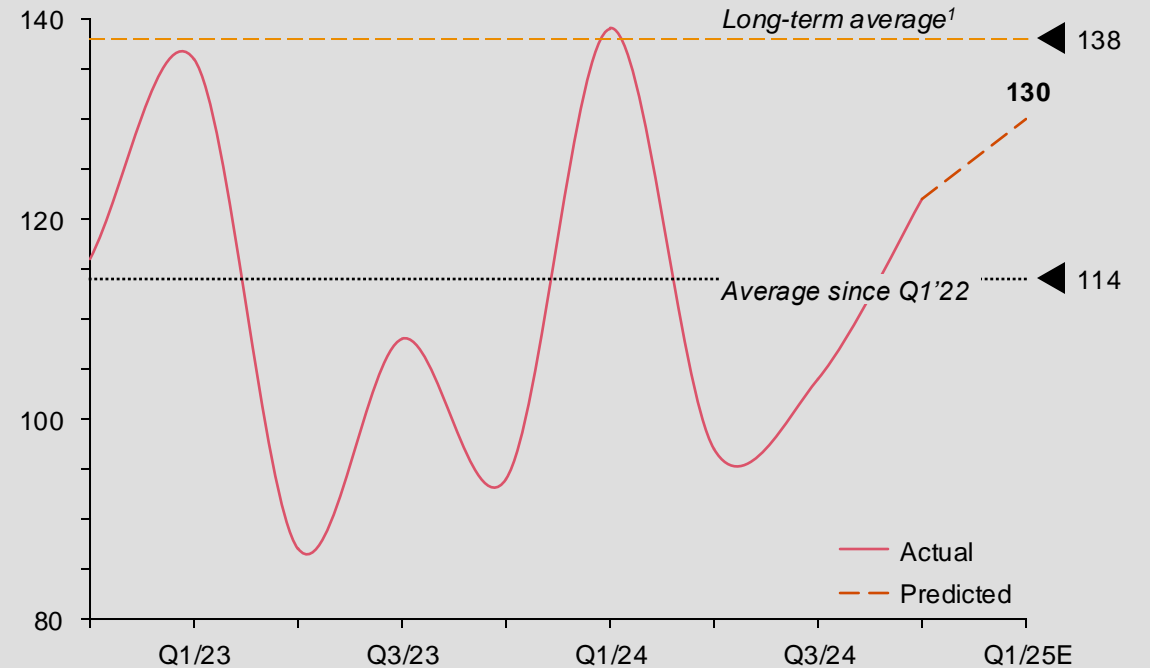
- A forecasting tool that predicts quarterly deal volumes in Finland based on historical data
- The goal is to provide insightful, forward-looking estimates of deal activity for upcoming quarters – used together with more traditional analysis to form our view

How does it work?

- Uses a combination of historical data, such as past deal volumes, macroeconomic indicators, and market sentiment measures
- After training on historical quarters, it will aim to predict future outcomes with the latest market data made available to it

Note(s): Mean deal volume per quarter, starting from Q1'2014
 Model performance is based on historical training data and not guaranteed to predict future performance
 PwC

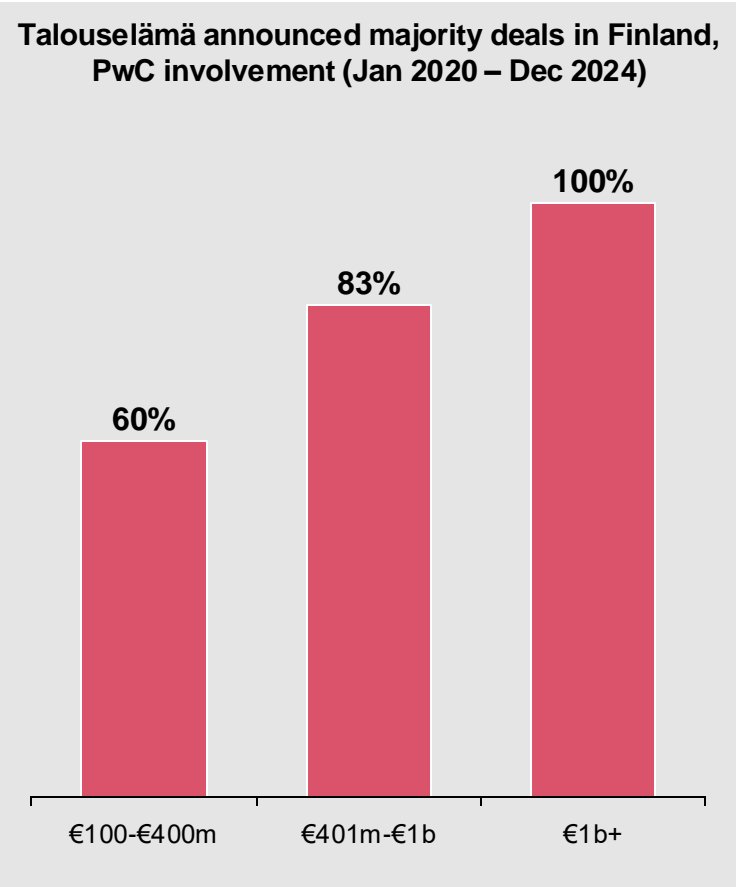
Deal volume prediction for Q1'25



Deal volumes potentially increasing slightly to start 2025

PwC has a strong track record of acting as an advisor in major deals in Finland

PwC involvement in major deals



Selected recent major deals where PwC has acted as an advisor

Kalmar demerger and listing on 1 July 2024



EUR 2.0bn
(target)

- Cargotec’s partial demerger and Kalmar business listing to NASDAQ Helsinki main market
- PwC provided comprehensive advisory services throughout the entire Kalmar demerger and listing process, acting as the separation, tax, legal structuring and financial reporting advisor

Sale of significant minority stake in Granlund to ICG on 19 June 2024



EUR 139m
(target)

- Significant minority sale in Granlund to global alternative asset manager Intermediate Capital Group (ICG)
- The PwC Corporate Finance team acted as the exclusive financial advisor for Granlund, PwC Strategy& supported Granlund with its internationalization plan, and PwC Transaction Services and Tax experts provided comprehensive vendor due diligence services

We expect the 2025 Finnish deals market to be more positive, with tailwinds supporting IPOs, uptick in deal volumes and PE exits

Our view on the Finnish deal market in 2025



Lowering interest rates and volatility to support growth in IPOs

The IPO market is showing signs of revival in the Nordic countries, with Finland clearly standing out with its inactivity. We are cautiously optimistic about the 2025 market, expecting a dozen IPOs in Finland during the year – and may altogether see even larger number of IPOs collectively by 2026.

Surge in IPOs expected for 2025



Improved market conditions to drive deal volume uptick

The total Q1 deal volume has been declining for the past two years from the 2021-2022 highs, largely in line with the rising interest rates. With the falling interest rates over the past year and our machine learning based analysis, we see regression towards the mean being likely in Q1.

Growth in deal volumes predicted for Q1



Private Equity exit pressures to be alleviated

Based on technical analysis there are currently 38 PE portfolio companies with exits due or overdue. With the changes in cost of capital, we see 2025 being a year where Buyers and Sellers are much more likely to meet each other at similar valuations.

38 portfolio companies due or overdue exit

Supporting you in your transactions



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