

Finnish M&A market update 2023

February 2024



Finnish M&A market in 2023

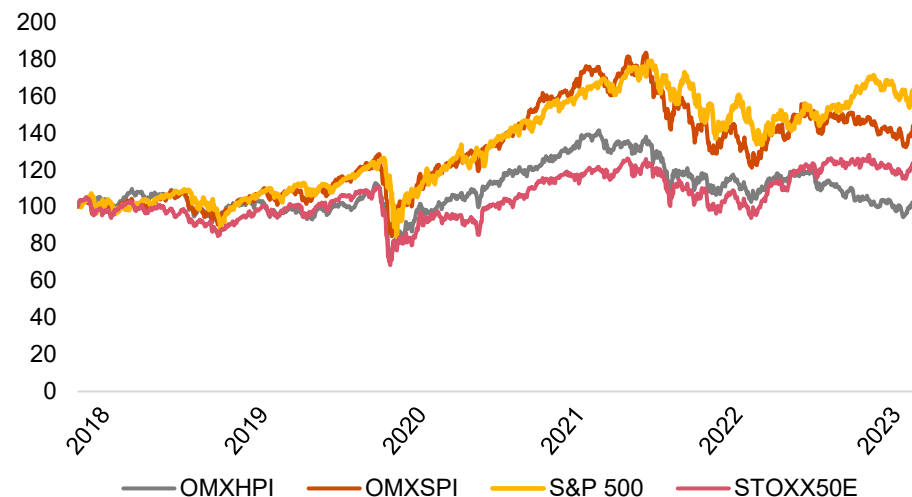
Finnish M&A market overview

As we wrap up the year 2023, let's summarise the performance of the Finnish M&A market over the past year and anticipate what the upcoming year might bring. Our analysis incorporates statistics covering both domestic and global M&A activity, shedding light on recent key themes. Despite the challenges encountered during 2023, there are signals indicating a potential market shift for the upcoming year.

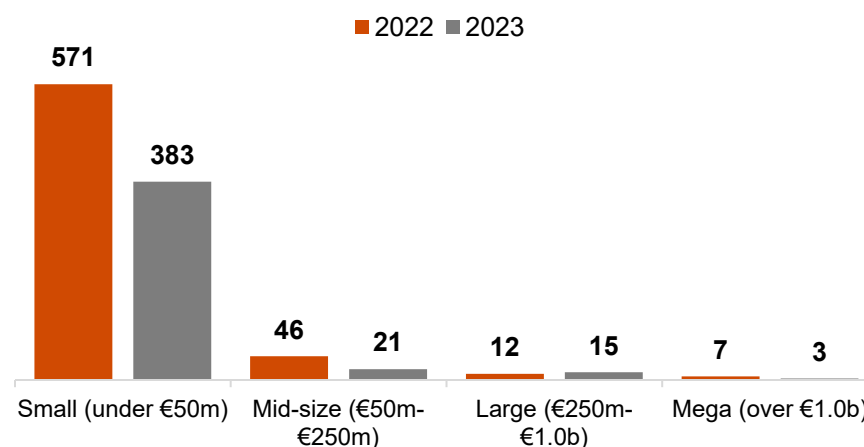
The year was exceptional in many ways

- In 2023, IPO activity in Finland witnessed a notable slowdown, with only two direct listings and one list transfer taking place.
- Towards the end of the year, there were indications of stabilisation in inflation and interest rates, but their effects on deal volumes are still to be seen. Concurrently, private equity companies are sitting on a record amount of dry powder.
- Throughout 2023, the upward trend of strategic reviews and divestments continued in Finland, driven by companies actively evaluating their optimal structures and prioritising core operations.

Development of key stock indices during 2018-2023



Number of M&A deals in Finland by size



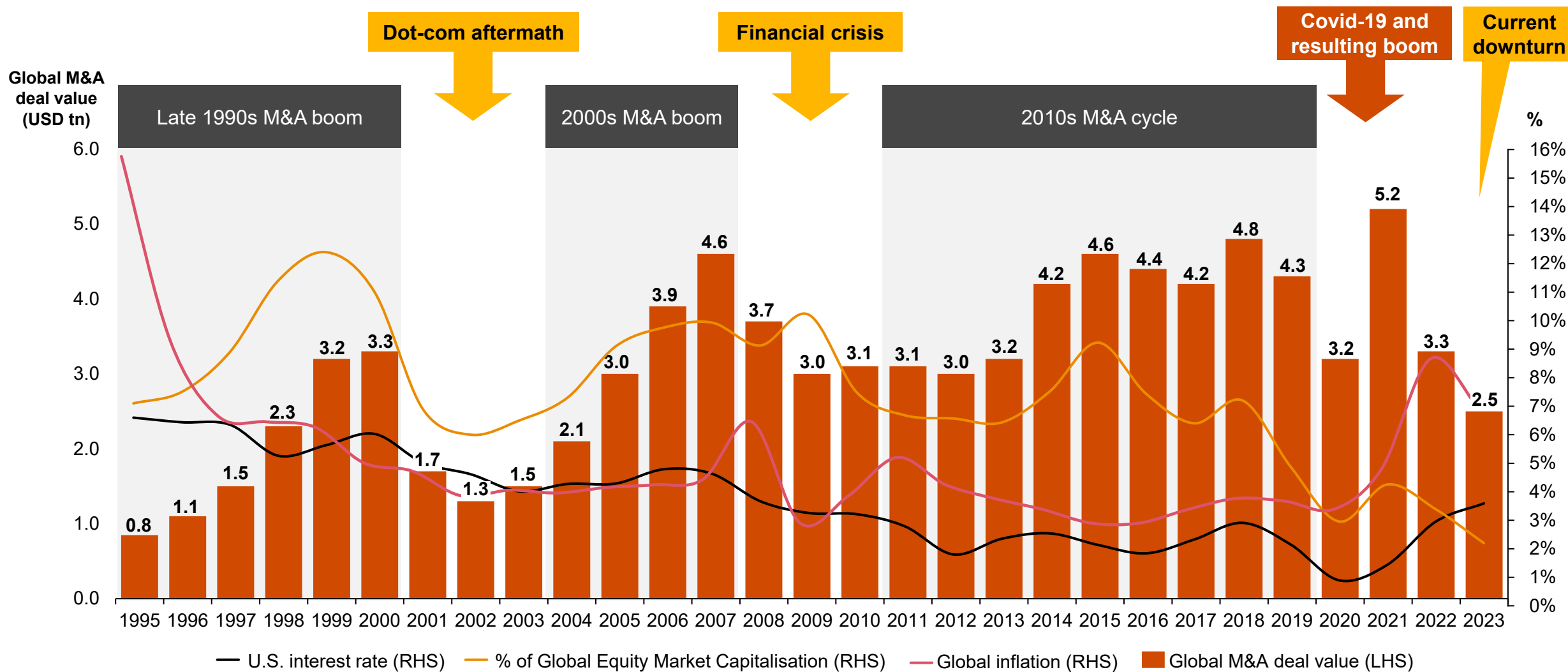
Source: Nasdaq Helsinki, FRED, WSJ, Talouselämä, PwC analysis February 2024



Deal market from a global perspective

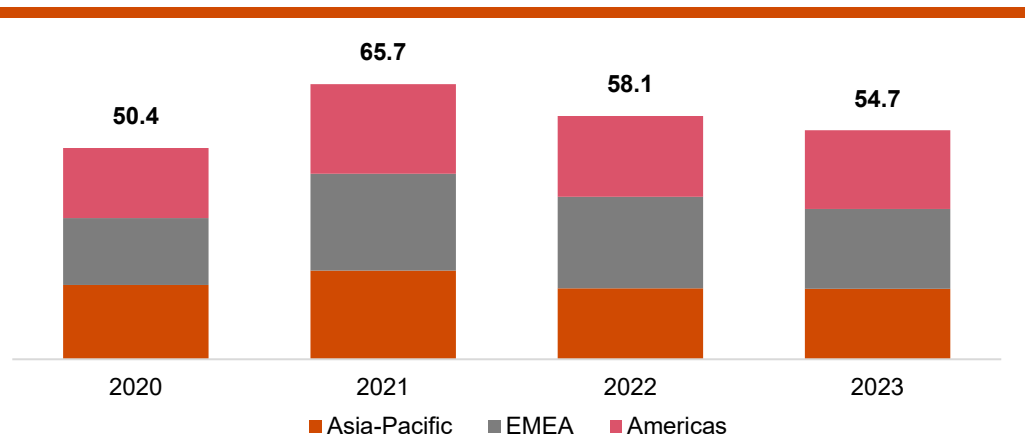
Following the most challenging bear market in a decade, there are expectations for a resurgence in global M&A activity in 2024. Certain sectors have already shown signs of increased deal-making. However, it is important to note that we continue to navigate an uncertain economic and geopolitical landscape.

Overview of the global M&A market in the last 25 years

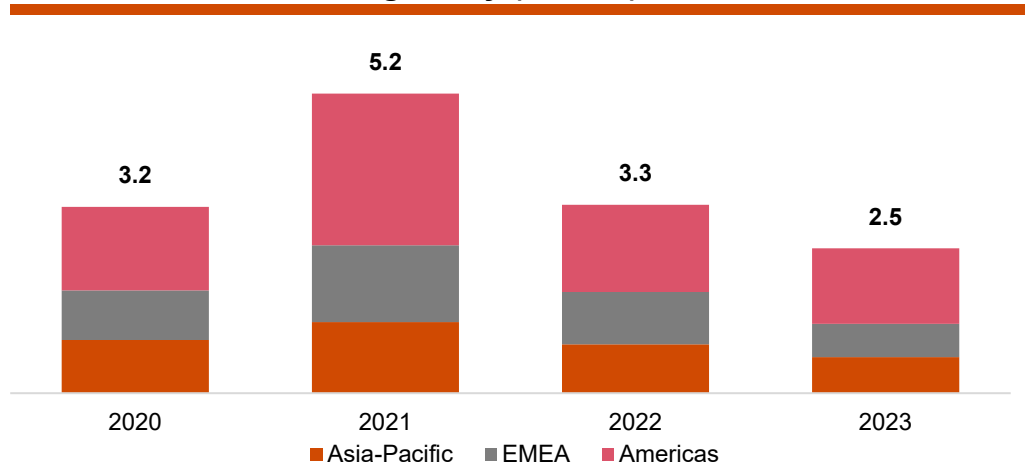


Global M&A volumes remained relatively steady, while the values experienced a decline

M&A transaction volumes globally (thousands)



M&A transaction values globally (USD tn)



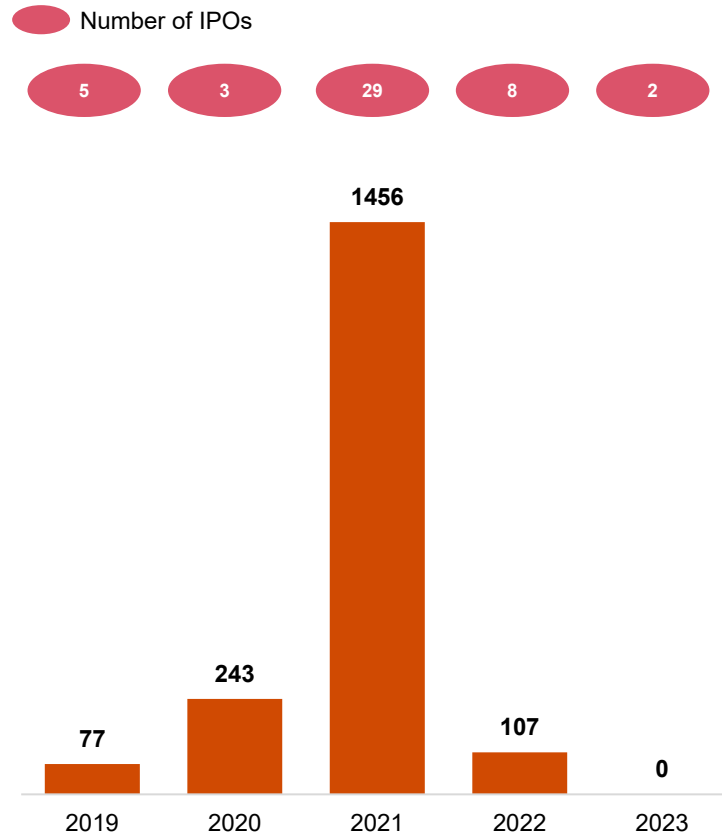
“ The impact of the slowdown is felt worldwide, with transaction values being significantly lower

Key takeaways

- In 2023, global M&A transaction volumes witnessed a decrease of 6 percent, coupled with a significant 25 percent decrease in transaction values compared to 2022, indicating that the market was driven by smaller deals. In contrast to the exceptional M&A cycle experienced in 2021, transaction values witnessed a decline of over 50%.
- The most significant downturn in 2023 unfolded in the EMEA (Europe, Middle East and Africa), with a decline of 13 percent in transaction volumes and 36 percent in values.
- Hopes for a recovery in the beginning of 2023 were dashed by rising interest rates and financing challenges.
- While acknowledging that the data for the second half of 2023 may be understated as a result of the delay in deals being reported, the bearish sentiment among dealmakers during that period was tangible.

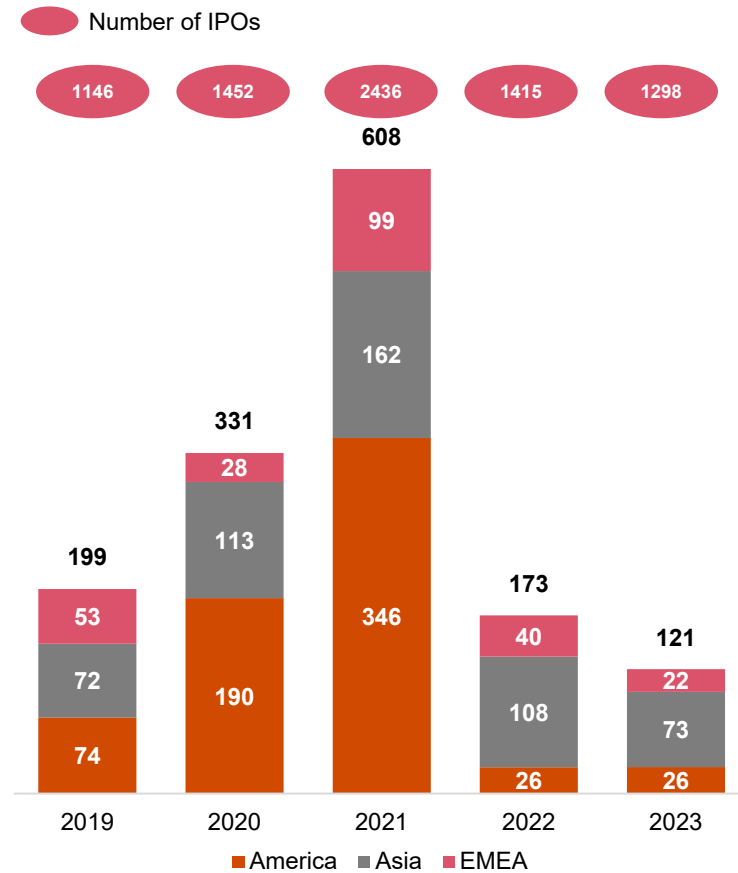
A quiet year for IPOs, both globally and locally

IPO proceeds in Finland (EUR million)



Source: Nasdaq Helsinki, PwC analysis. Includes both First North and main list. Data excludes transfers between Finnish lists and should be treated as non-exhaustive.

Global IPO proceeds by region (USD billion)



Data includes only transactions with a minimum of 5 million USD money raised and should be treated as non-exhaustive.

Key takeaways

- The prevailing uncertainties in the global macroeconomic and geopolitical landscape have negatively impacted the IPO activity.
- The Finnish IPO market experienced a significant slowdown in 2023, including only two listings and one list transfer for the entire year. Notably, none of these listing included capital raising.
- The global IPO landscape also experienced a downturn, with IPO proceeds declining by 30 percent compared to 2022. Globally, technology sector was the driver in terms of IPO proceeds.
- Reflecting on the past, using the year 2021 as a benchmark is misleading, given the substantial increase in both global and local IPOs driven by the negative interest rates and low inflation.



More information about the IPO market in our Global IPO Watch 2023 release



M&A market in Finland

In Finland, we are currently anticipating a shift in the slow M&A cycle, with expectations of increased activity levels. Typically, the global cycle initiates earlier and the Finnish market follows, aligning with the overall trend.

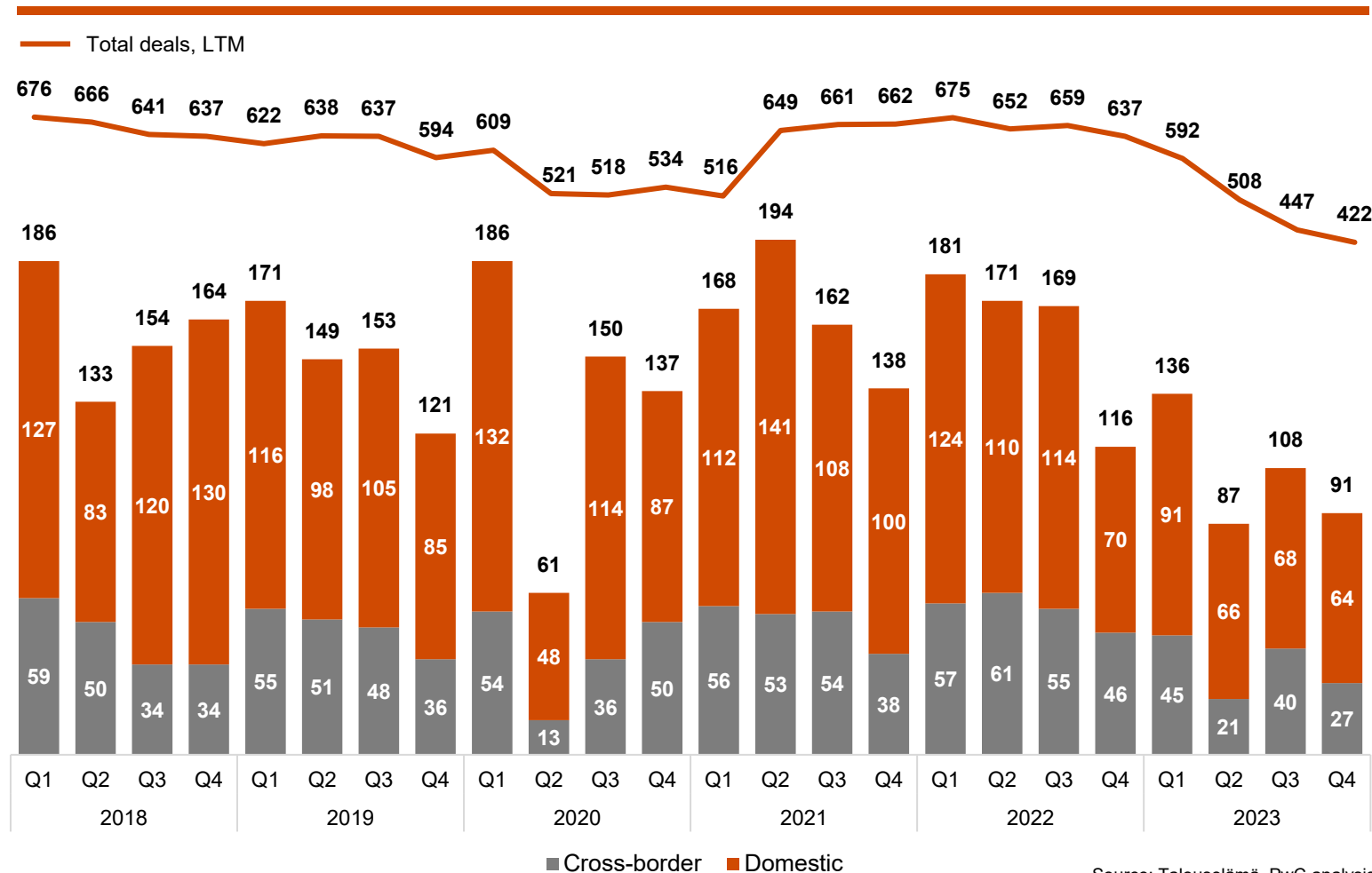
Finnish M&A market experienced a slowdown in 2023

“ Transaction activity was historically low

Key takeaways

- The M&A market activity has experienced a significant slowdown compared to 2022, as companies and investors had to adapt to elevated interest rates.
- In the past two years, there has been a decline in M&A market activity, especially when compared to the remarkable deal volumes observed during the COVID boom.
- At the moment, we are in a period of market adjustment, a situation often observed when rapid shifts in market conditions and interest rates occur.
- Despite the influence of higher interest rates, deal activity continues at a stable pace, with companies adopting a cautious approach rather than rushing into transactions.

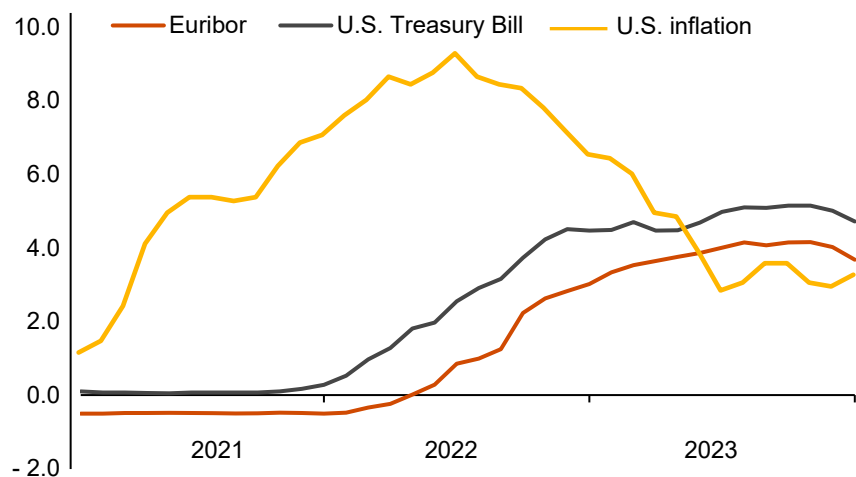
Quarterly transaction volumes in Finland



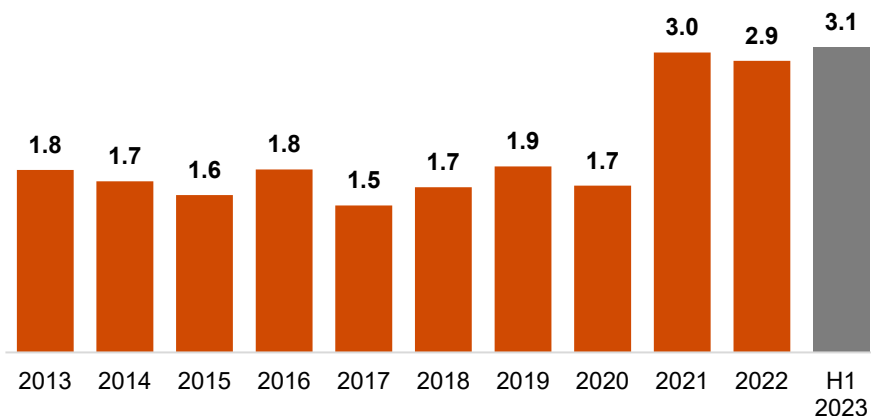
Source: Talouselämä, PwC analysis

The impact of yield development was felt throughout 2023

12 months U.S. Treasury Bill, Euribor yield, and inflation



Finnish PE dry powder (EUR billion)



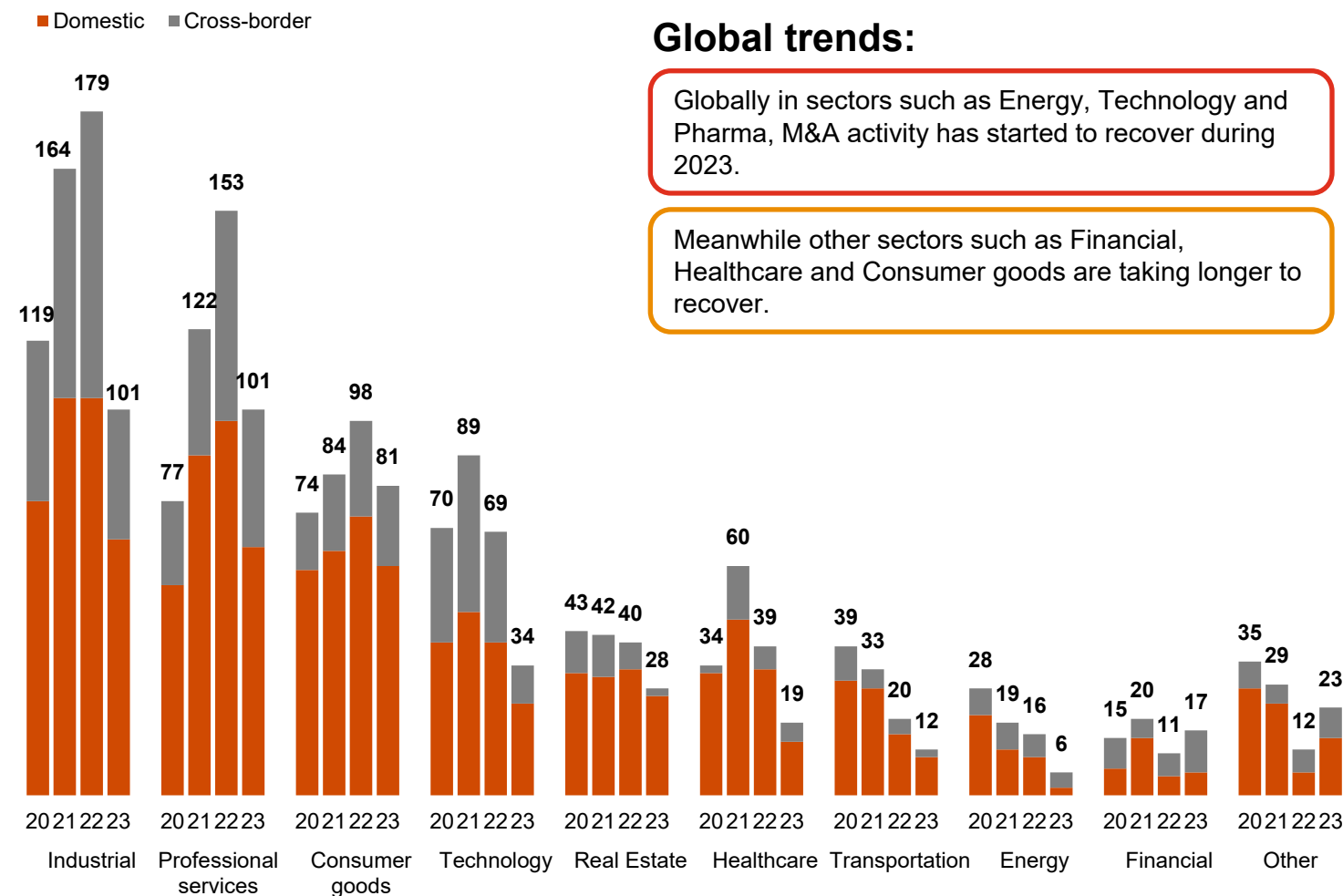
“ Increased amount of dry powder predicts deals rebound

Key takeaways

- Interest rates have started to stabilise and even decrease during 2023 after an intensive phase of hikes. While Finnish inflation is showing signs of stability, concerns persist over inflation in other parts of the EU and the USA.
- However, interest rates are currently at a 10-year record level, resulting in increased financing costs for transactions.
- According to the Finnish Venture Capital association (FVCA), domestic buyout and growth investors have more than 3.1 billion euros of “dry powder”, representing a number that has nearly doubled since 2020.
- Private equity investors have been relatively inactive in the present market, influenced by the effects of heightened interest rates. They are not interested to consider divesting their best assets at current market conditions. As a result, they do have an increased amount of dry powder available for future opportunities, which can be expected to be a contributing factor driving the market throughout 2024.
- However, there are signs that the gap between buyer and seller expectations regarding valuations is beginning to narrow down as investors and companies adapt to the new market environment.

The development of M&A activity across different industries

Industry development by number of deals in Finland



Global trends:

Globally in sectors such as Energy, Technology and Pharma, M&A activity has started to recover during 2023.

Meanwhile other sectors such as Financial, Healthcare and Consumer goods are taking longer to recover.

“ The slowdown can be seen through all sectors

Key takeaways

- Throughout 2023, there has been a notable slowdown in the M&A activity across all industries in Finland, especially among cross-border deals that decreased generally in all sectors.
- The most significant declines have occurred in the industrial and professional services sectors, which has had a great impact on the overall M&A activity. These sectors have also demonstrated the highest levels of activity in Finland over the past few years.
- While several global sectors began displaying signs of growth in deal volumes in 2023, Finland is still lagging behind. However, this can be perceived as a potential indication of a turnaround in the Finnish M&A market, given that smaller markets like Finland typically align with global trends with a delay.

Divestiture activity has increased in Finland

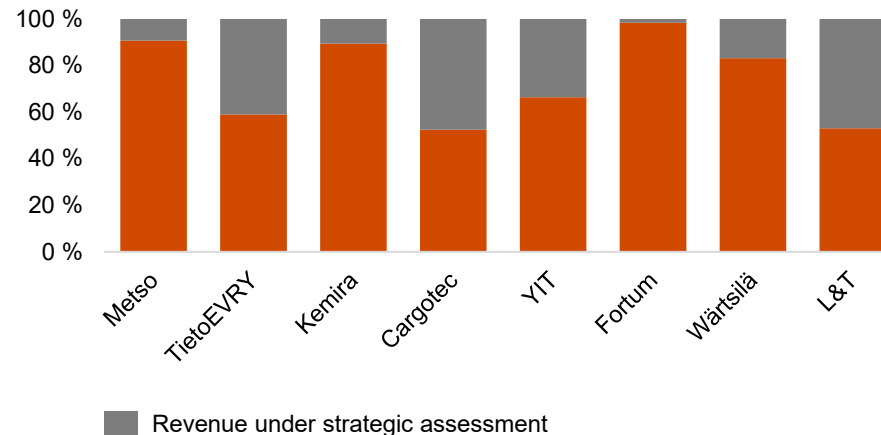
“ Many companies have decided to concentrate on their core operations

Key takeaways

- Uncertain market conditions have led companies to reassess their operations. By the end of the year, nine new strategic reviews have been announced by public companies, including large companies such as Cargotec, Wärtsilä, and Fortum. Simultaneously, strategic processes initiated before 2023 are in progress.
- Compared to previous years, strategic reviews are now more prone to result in actual divestments or carve-outs. The importance of carve-outs and divestitures becomes highlighted during periods of economic uncertainty.
- In 2022, divestments were primarily driven by shutdowns in Russia. However, this year companies are basing their decisions on the current market conditions. As a result, the businesses under review are larger in size compared to previous years.
- In Finland, there has been a strategic shift, with companies placing a greater emphasis on their core competencies. At the same time investors are keen on capitalising on opportunities arising from divestitures.

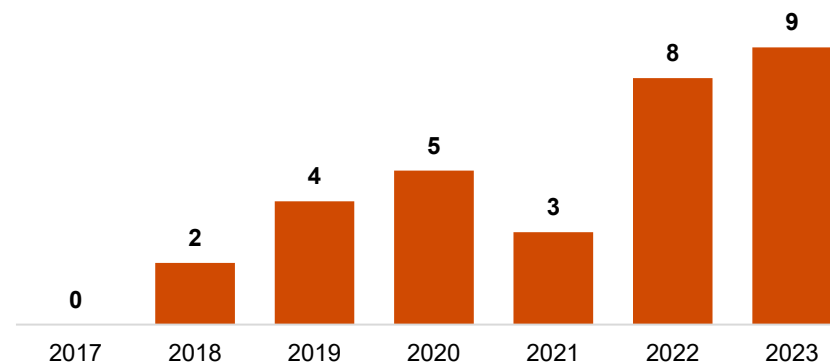
Portion of revenue under strategic review

Includes selected companies that have recently announced or ongoing strategic reviews.



Number of strategic reviews announced

Includes public companies that have announced strategic reviews.



Source: Talouselämä, Kauppalehti, PwC analysis



Summary

Amidst a challenging market situation, there are opportunities that await those who are willing to seize them. Despite the difficulties faced in 2023, the outlook for 2024 appears promising in many ways.

Outlook for 2024

Deals activity

- We expect that the current cycle starts to shift later this year and deal volumes increase. However, it is important to note that the Finnish market is particularly vulnerable to the growth experienced in Europe.
- As inflation and interest rates begin to decline, and with a significant amount of dry powder available in the PE sector, the stage is set for an increase in deal activity as funding becomes more affordable, and companies become more confident about their future.
- According to our Global CEO Survey, nearly two-thirds of CEOs have indicated that their companies are planning acquisitions within the next three years, signaling potential increase in M&A activity.

IPO market

- Stock market valuations continue to remain lower than the levels prior the war in Ukraine.
- An increase in IPO market activity can be expected in the near future if the economic outlook and interest rates stabilise.
- There are several IPO candidates currently in the pipeline waiting for the IPO market to open – 2025 will potentially be the year of IPOs again with a gradual ramp-up of IPO activity expected to start in the second half of 2024.
- However, it is highly unlikely that we will witness a repeat of the 2021 IPO boom which was supercharged by negative interest rates and low inflation.

PTO activity

- With valuation levels remaining low, it is likely that we will continue to witness public tender offers during 2024. Furthermore, foreign buyers are expected to continue dominating the Finnish PTO market.
- Historically, the median PTO premium has been 33 percent in Finland. However, this year we expect to see higher premiums due to lower valuation levels. In line with this trend, the first PTO of 2024 was announced in January, as Efecte is being acquired by a German company. Notably, the current premium stands at 91 percent.



Supporting you in your transactions



PwC Finland's Advisory Lead



Kimmo Nieminen
Partner
+358 20 7877504
kimmo.nieminen@pwc.com

Deals & Private Equity Lead



Ilkka Simula
Partner
+358 20 7878522
ilkka.simula@pwc.com

Strategy&



Juuso Laatikainen
Partner
+358 20 7878554
juuso.laatikainen@pwc.com



Jussi Lehtinen
Partner
+358 20 7878756
jussi.lehtinen@pwc.com



Tuomas Törmänen
Partner
+358 20 7878736
tuomas.tormanen@pwc.com

Transaction Services



Mikael Österlund
Partner
+358 20 7877838
mikael.osterlund@pwc.com



Eveliina Paavilainen
Partner
+358 20 7877139
eveliina.paavilainen@pwc.com



Riikka Saari
Partner
+358 20 7878058
riikka.saari@pwc.com



Michael Hardy
Partner
+358 20 7877442
michael.hardy@pwc.com

Capital Markets & Accounting Advisory Services



Sari Elonheimo
Partner
+358 20 7877289
sari.elonheimo@pwc.com



Netta Mikkilä
Partner
+358 20 7877386
netta.mikkila@pwc.com

Tax

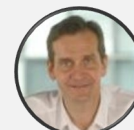


Markku Hakkarainen
Partner
+358 20 7877774
markku.hakkarainen@pwc.com

Valuation and Debt & Capital Advisory



Antti Palkén
Partner
+358 20 7877281
antti.palken@pwc.com



Matias Lindholm
Partner,
+358 20 7877885
matias.lindholm@pwc.com

ESG



Jussi Nokkala
Partner
+358 20 7878189
jussi.nokkala@pwc.com

M&A Integration & Separation



Marko Koski
Partner
+358 20 7878745
marko.koski@pwc.com

Real Estate



Jeroen Bus
Partner
+358 20 7877886
jeroen.bus@pwc.com

Corporate Finance



Kimmo Vilske
Partner
+358 20 7877938
kimmo.vilske@pwc.com



Hannu Keränen
Partner
+358 20 7877951
hannu.keranen@pwc.com

Legal



Elina Kumpulainen
Partner
+358 20 7877907
elina.kumpulainen@pwc.com



Thank you

[pwc.fi](https://www.pwc.fi)

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Oy, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2024 PricewaterhouseCoopers Oy. All rights reserved. Not for further distribution without the permission of PwC. “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way.