



Transaction Trends

Finnish M&A update - Q1 2024

The market remains lukewarm



Building a better
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Quarter summary

130

of transactions announced

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€26m

Average disclosed deal value

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AM&M

Most active industry with 62 deals

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40%

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Transaction Trends, published by EY Strategy and Transactions, is a quarterly publication that aims to identify trends in the Finnish M&A market.

The newsletter reflects all quarterly transactions involving a Finnish target, buyer, or vendor, based on data presented by Mergermarket. This makes Transaction Trends the most comprehensive transaction newsletter available for the Finnish market. We hope that you find this newsletter interesting and that you will follow our coming quarterly updates.

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The Transaction Trends Editorial Team

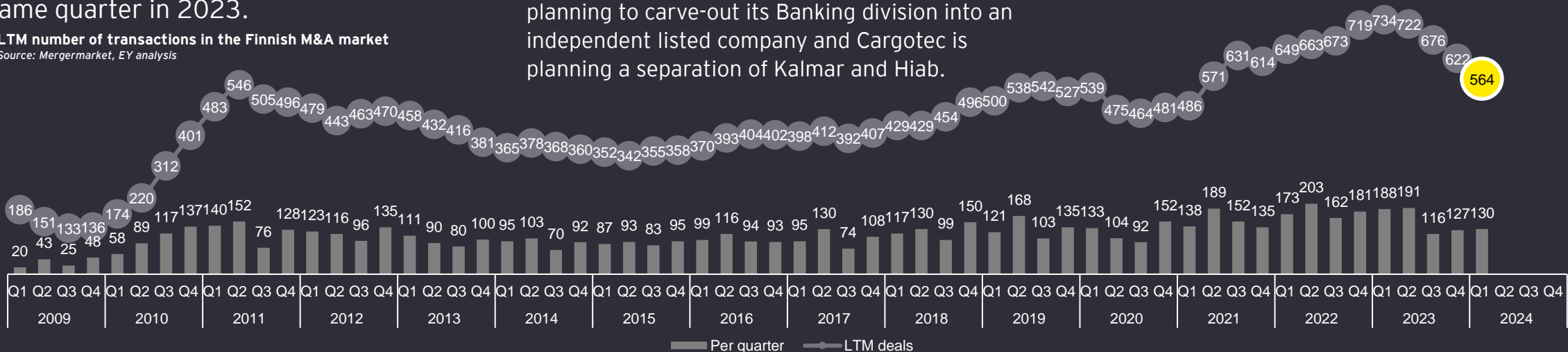
Transaction activity remained low, the wait for increased activity continues

During the first quarter of 2024, we observe **130 transactions** in the Finnish M&A market. The quarter significantly underperforms Q1 2023, with deal volumes down c. 31% YoY. Compared to Q4 2023, the quarter saw three transactions more.

LTM deal activity amounts to **564**, primarily driven by the AM&M (36%) and TMT (26%) industries. The deal count observed from these industries in Q1 2024 decreased by c. 30% and 34%, respectively, compared to the same quarter in 2023.

LTM number of transactions in the Finnish M&A market

Source: Mergermarket, EY analysis



Transaction activity in Finland remained low in Q1 2024 as familiar issues (e.g., financing and economic challenges) are complicating deal completion. On a positive note, there has been a fair amount of work on advisers' tables, but it will take some time to show as realized transactions.

Divestments appear to be one of the key themes of 2024, both in Finland and globally, as corporates focus on their core strategy and profitability having less emphasis on growth. This is expected to increase transaction activity together with a narrowing valuation gap. E.g., PunaMusta divested its media business during Q1 2024, Tietoevry is planning to carve-out its Banking division into an independent listed company and Cargotec is planning a separation of Kalmar and Hiab.

PE activity in Finland has **remained rather quiet** due to the valuation gap and other uncertainties in deal making but sponsors continue to actively map out potential targets and some sizable opportunities are believed to be in the preparation phase.

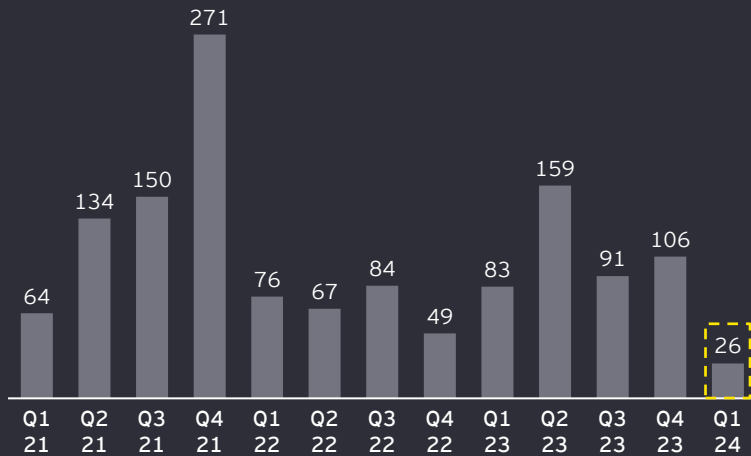
The first quarter of the year is typically a quiet IPO quarter and Q1 2024 was not an exception. There were **no new listings at Nasdaq Helsinki**. However, the Swedish market has started to show signs of an improving sentiment. Finland, as well as Denmark and Norway are still lagging behind, but increased IPO activity could also be coming our way in Sweden's footsteps in late 2024 and in 2025.

Quarter highlights

Average deal value (€m)

Source: Mergermarket

Note: Only a limited number of transactions have disclosed deal value



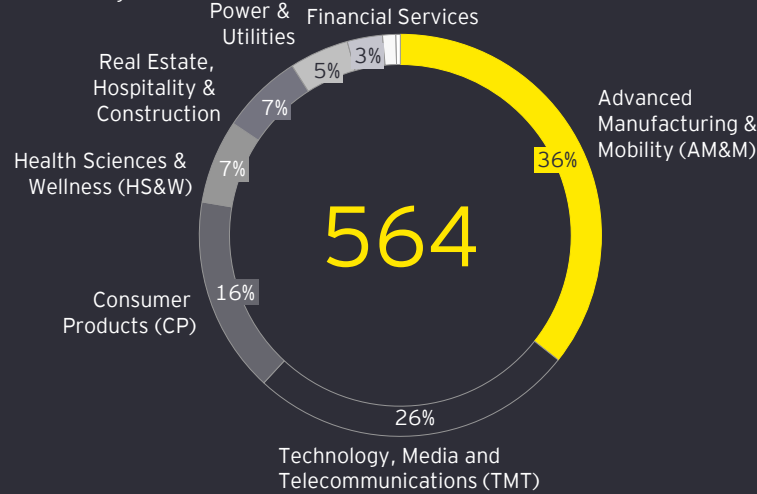
Transactions this quarter

The number of transactions observed in the quarter amounted to 130. The average deal value stands at €26m based on 29 transactions with announced deal values.

Of the 29 transactions, 48% saw deal values below €10m, while another 45% reported deal values between €10 and €100m, and 7% exceeding €100m in deal value. This quarter's combined reported deal value amounted to €0.8bn, which is significantly lower than the combined deal value in Q4 2023 of €4.0bn.

LTM share of transactions per industry

Source: Mergermarket



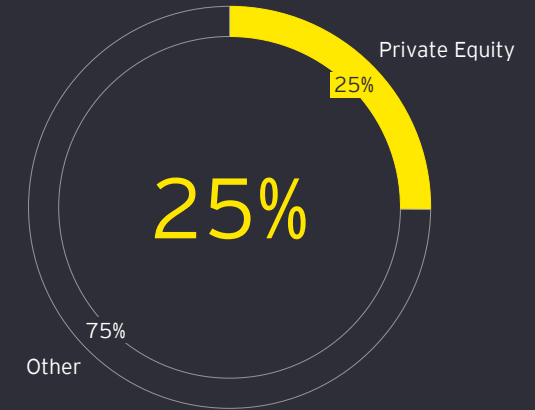
Deals per industry

Deal activity in Q1 2024 saw a significant decline across most industries compared to Q1 2023. **Real Estate, Hospitality & Construction** suffered the largest decline, with deal count observed from the industry decreasing by 63% compared to Q1 2023.

In the LTM period, **AM&M** continues to contribute the highest number of deals (36%), followed by **TMT** (26%) and **CP** (16%).

LTM share of transactions involving Private Equity firms

Source: Mergermarket



PE deal activity

In Q1 2024, the number of transactions with Private Equity participation was 25, indicating a share of 19% of total transactions, clearly below the three-year average from 2021-2023 (29%) and the LTM share (25%).

A notable transaction involving PE firms in Q1 2024 saw Altor Equity Partners AB increase its financial interest in Mandatum Oyj to 16.6% by acquiring an additional 6.6% shareholding in the company for €131m from Solidium Oy, whose investment criteria of national importance Mandatum did not fulfil as an independent listed company after the demerger from Sampo Oyj.

Key transactions this quarter

	1	2	3	4	5	Avg.
Deal value*	100m	42m	40m	40m	37m	26m
Description	On 18 January, Matrix42 AG , the Germany-based software company, placed a bid of €15 per share to acquire Efecte Oyj , the Finnish cloud-based service and identity management solutions provider. The deal aims to help both companies to increase scale, talent and capital.	On 8 February, AcadeMedia AB , the Sweden-based operator of schools, agreed to acquire Touhula Varhaiskasvatus Oy , the Finland-based provider of pre-school and daycare center activities. The transaction is part of AcadeMedia's strategy to grow internationally.	On 8 March, a group of investors including Inditex Group and H&M acquired an undisclosed stake in Infinited Fiber Company Oy , the Finland-based manufacturer of recycled cotton-like fiber for the textile industry, under its development financing round.	On 13 February, a group of investors led by Evli Growth Partners acquired an undisclosed stake in Bob W Technologies Finland Oy , the Finland-based tech-enabled short-term apartment rental company, under its Series B funding round.	On 9 January, YIT Oyj , the Finland-based listed construction company, agreed on the sale of YIT Kalusto Oy , the company's subsidiary providing in-house equipment services, to Renta Group Oy . The transaction is part of YIT's transformation program aiming to improve the company's capital efficiency.	This quarter, the average deal value (for transactions with reported deal values) was €26m. The number of transactions with reported deal value amounted to 29 out of 130 transactions announced.
Industry	Technology, Media & Telecommunications	Health Sciences & Wellness	Consumer Products	Real Estate, Hospitality & Construction	Advanced Manufacturing & Mobility	

*Please note that figures are in euros, if not stated otherwise.
Source: Mergermarket, company websites

Activity by industry and observed multiples

Activity by Industry

Industry	# of transactions						3-year median			# of observations		
	2022	2023	Qrt. Avg. 21-24	Q1 2023	Q1 2024	Q1 Trend	EV / Rev	EV / EBITDA	EV / EBIT	EV / Rev	EV / EBITDA	EV / EBIT
Advanced Manufacturing & Mobility	268	228	61	89	62	↓	1.0x	7.8x	14.7x	26	18	10
Consumer Products	110	97	25	29	21	↓	1.1x	8.8x	13.4x	16	10	5
Financial Services	21	17	4	3	2	↓	1.5x	7.4x	9.3x	4	4	3
Government, Public Sector & Organisations	4	5	2	1	2	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Health Sciences & Wellness	54	41	14	13	10	↓	0.9x	8.7x	26.2x	6	3	3
Oil & Gas	1	2	2	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Power & Utilities	30	29	8	7	5	↓	9.8x	14.8x	n.a.	3	2	n.a.
Real Estate, Hospitality & Construction	34	42	5	8	3	↓	5.8x	16.1x	36.5x	1	1	1
TMT	197	161	39	38	25	↓	2.8x	21.4x	15.5x	24	16	11
Total	719	622	159	188	130		1.4x	10.1x	15.2x	80	54	33

Source: Mergermarket, S&P Capital IQ

Note: The 3Y EV/Revenue, EV/EBITDA and EV/EBIT multiples are based on a total of 80, 54 and 33 observations, respectively.

Please note that the number of transactions is very low in some industries, and thus the presented median multiples may not accurately reflect realistic long-term valuation levels.

Industry activity

Deal activity in Q1 2024 saw a considerable decline across most industries. **Real Estate, Hospitality & Construction** and **Technology, Media & Telecommunications (TMT)** suffered the largest declines, with deal counts observed from these industries decreasing by 63% and 34%, compared to Q1 2023.

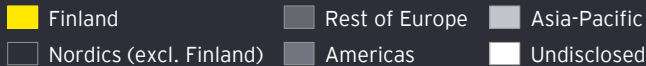
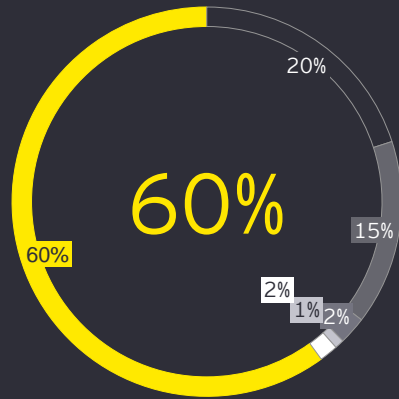
Multiples

The share of deals with disclosed value in Q1 2024 was 22%, which is somewhat below previous quarters, 30% in Q4 2023 and 31% in Q3 2023. A common perception is that **valuation levels have experienced downward pressure** due to **decreased growth estimates** caused by the economic uncertainty, **and constrained transaction financing**. At the same time, the valuation gap between buyers and sellers has narrowed, assignable to lower sell-side expectations. **The public tender offer trend** observed in Nasdaq Helsinki last year **seems to continue** well into 2024 as Efecte Oyj was a target of a public takeover in January, indicating that the valuations of certain listed companies remain at an attractive level for takeover attempts.

Transaction geography

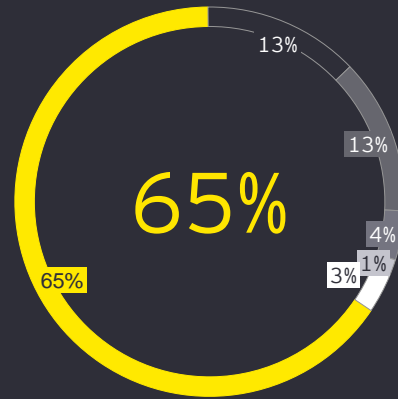
Buyer region, Q1 2024

Source: Mergermarket, S&P Capital IQ



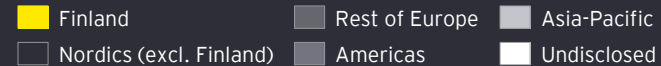
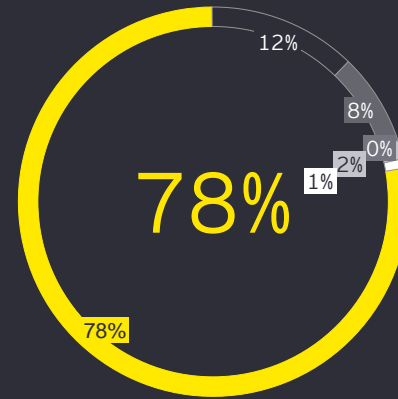
LTM buyer region per Q1 2024

Source: Mergermarket, S&P Capital IQ



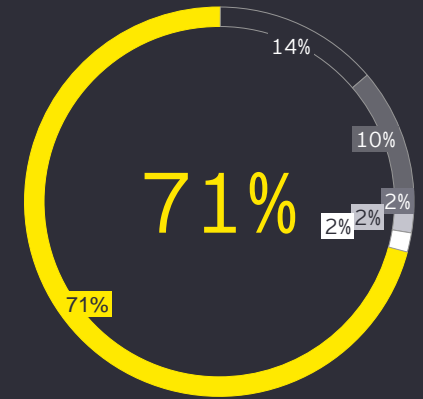
Target region, Q1 2024

Source: Mergermarket, S&P Capital IQ



LTM target region per Q1 2024

Source: Mergermarket, S&P Capital IQ



Buyer region

Finnish buyers accounted for 60% of deals made in Q1 2024. This is somewhat lower than in Q4 2023 (64%) and is mainly driven by an increased share of buyers from the Nordics (excl. Finland). The number of Finnish buyers has decreased slightly compared to Q4 2023, going from 81 to 78 transactions.

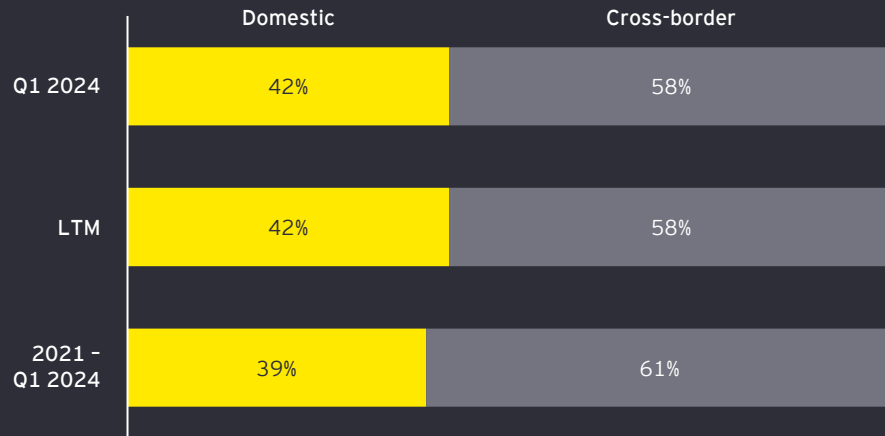
Target region

In Q1 2024, the share of Finnish targets increased by 8 percentage points compared to Q4 2023, from 70% in Q4 2023 to 78% in Q1 2024. The number of Finnish targets increased from 87 in the previous quarter to 101 deals in Q1 2024. Contrarily, we observe a decrease in the share of targets from Rest of Europe, from 15% of deals in Q4 2023 to 8% in Q1 2024. The share of targets from Nordics (excl. Finland) has remained on the same level compared to the previous quarter, 12% both in Q4 2023 and in Q1 2024.

Transaction arena

Share of domestic vs. cross-border transactions

Source: Mergermarket, S&P Capital IQ



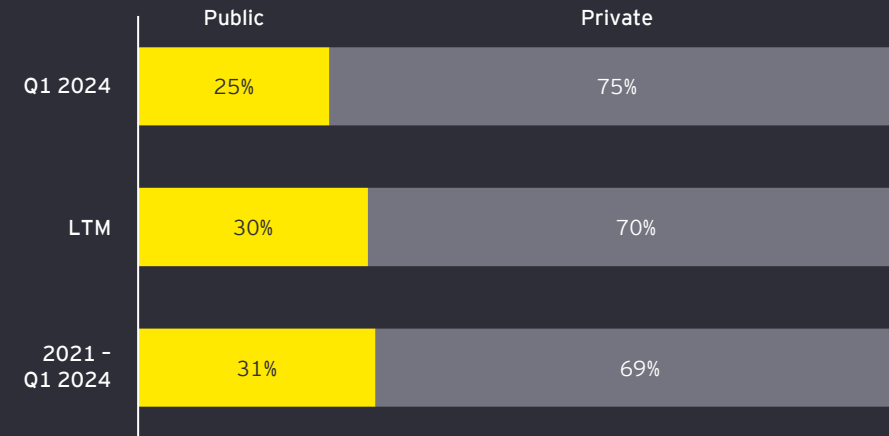
Transaction geography

The share of domestic transactions in Q1 2024 (42%) is slightly above the historical average from 2021 to Q1 2024 (39%) and equal to what we observed in the LTM period (42%). Cross-border M&A is particularly high in the Financial Services industry, where both of the industry's two deals in Q1 2024 included a foreign company as either target, buyer or seller. Cross-border M&A activity was also high in the TMT sector where 76% of transactions were cross-border.

The average cross-border and domestic deal value decreased to €32m and €11m, respectively, in Q1 2024 compared to the LTM average of €128m and €62m.

Share of public* vs. private transactions

Source: Mergermarket, S&P Capital IQ



*Public transactions are defined as those where either the target, buyer or vendor company is a listed entity.

Transaction type

The share of public transactions in Q1 2024 (25%) was 3 percentage points lower than in Q4 2023 (28%), with 72% of the public transactions being cross-border.

Among the public transactions, 63% had a public buyer, while 6% had a public target. Among the public targets were Efecte Oyj and a 6.6% share of Mandatum Oyj.

The observed average deal value of public deals in Q1 2024 was €48m, compared to €224m in Q4 2023. All transactions with a deal value exceeding €100m were public.

Market update

Nasdaq OMXH25 Index

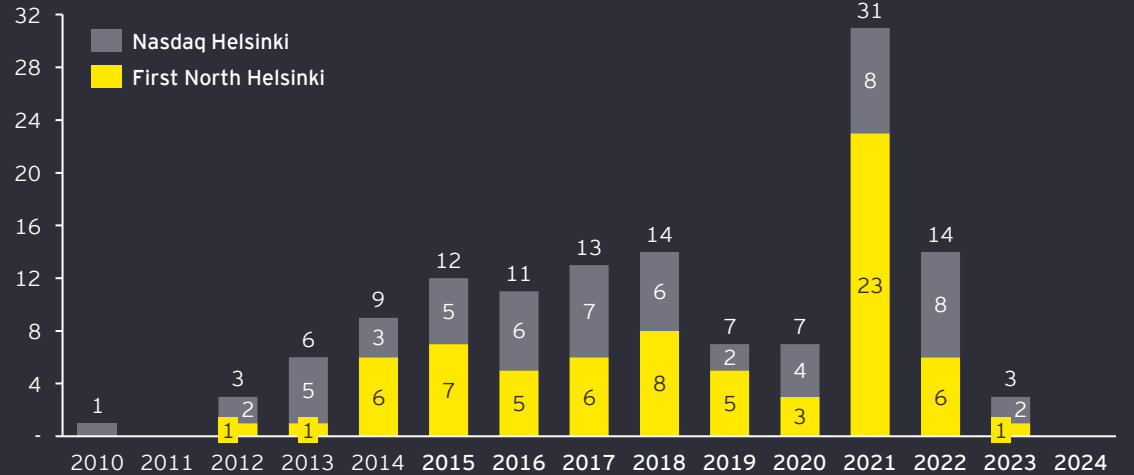
Source: S&P Capital IQ



The OMXH25 index has **decreased by 2.7% in Q1 2024** while the LTM return sits at -8.1%. Whereas many other markets in the Nordics (e.g., OMX Stockholm 30, OMX Copenhagen 20) and around the world (e.g., S&P 500, STOXX Europe 600) have enjoyed a positive start for the year driven especially by the strong performance of tech companies and banks, the Finnish market has got off to slow start, suffering from uncertainty caused by political strikes as well as the large weight of industrial and cyclical industries where companies such as UPM and Neste reported weak results that were followed by disappointing share price reactions during the earnings season. Despite the sticky index performance to start the year, there have also been some early 2024 successes in Nasdaq Helsinki as e.g. Cargotec, Konecranes and Metso have enjoyed excellent stock market performance year-to-date.

New listings

Source: Nasdaq Helsinki




The first quarter of the year has typically been a quiet IPO quarter and Q1 2024 was not an exception as **no new listings took place in Nasdaq Helsinki**. In the Nordics, there has been only one main market listing in Q1 2024, Karnell Group AB in Stockholm. Additionally, First North Stockholm has welcomed two new companies, showing signs of an improving IPO sentiment in Sweden. However, in Finland, the sentiment is still lagging, and we may not see new listings before late 2024, with a larger increase in listing activity potentially awaiting in Sweden's footsteps as tens of Finnish companies are known to have IPO aspirations.


Despite nothing happening in Nasdaq Helsinki, Q1 2024 saw one piece of Finnish IPO news on the other side of the world as Amer Sports, Inc., the Finland-based group of iconic sports and outdoor brands, returned to public market by listing its ordinary shares on the New York Stock Exchange.

Highlights of EY supported transactions of the quarter




Target	Buyer	Seller
		
40MW battery storage project developed by Evli	Helen Oy	Evli Renewable Energy Infrastructure Fund II


 **Deal description**

- Evli, a Nordic fund manager, sold a majority stake in a 40MW standalone battery storage project to Helen, a leading Finnish energy company who will become co-investors for the construction and operations phase of the project.
- The 40MW battery storage will be built in Nurmijärvi, Finland and is set to be operational early 2025. It is one of the first large-scale battery storage systems in Finland and the battery will participate in Fingrid’s reserve markets and support the green transition.


 EY Finland acted as the sole financial advisor to Evli, providing ...



Target	Buyer	Seller
		
Carrier’s Industrial Fire Business	Sentinel Capital Partners	Carrier Global Corporation

 **Deal description**

- Carrier Corporation, a global intelligent climate and energy solutions company, sold its Industrial Fire business, a global leader in fire detection and suppression solutions with some operations also in Finland, to Sentinel Capital Partners for an enterprise value of USD 1.4bn.
- The transaction is part of Carrier’s ongoing portfolio transformation program including four planned business exits, of which the last one, the disposal of combined commercial and residential fire businesses is still being prepared.

 EY Finland supported Carrier together with EY US throughout the transaction process, providing ...



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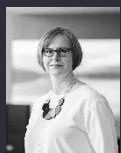
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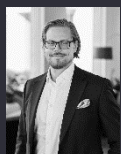


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Raise

How can we win the competition for scarce capital?

Preserve

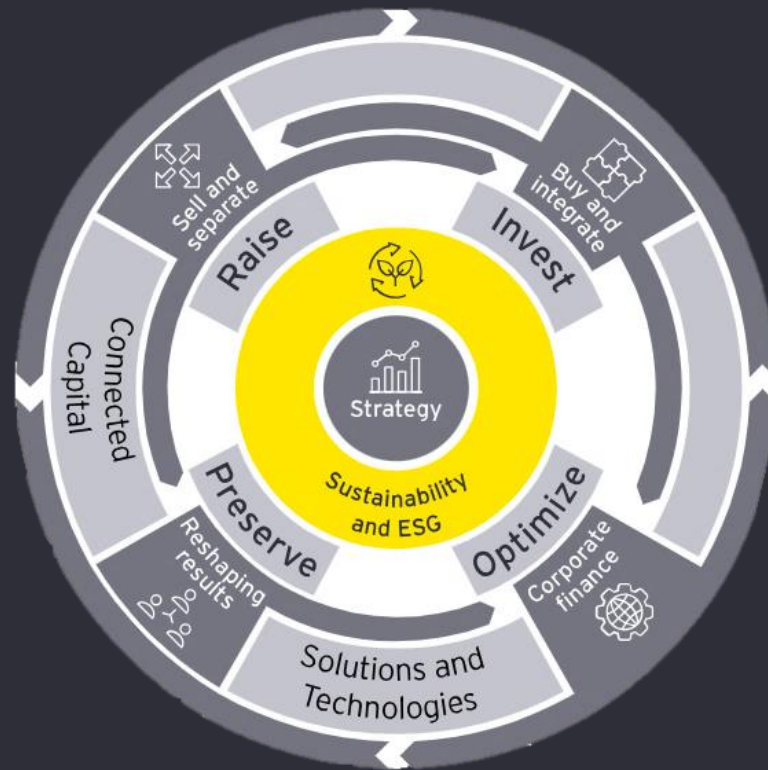
How can we better anticipate and adapt to market conditions as they change?

Invest

How can we seize growth opportunities and competitive advantage?

Optimize

How can we increase and maintain investor confidence?



Global reach and local presence with over 20,000 transaction professionals in more than 100 countries

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About this publication

Transaction Trends is a quarterly publication that aims to identify trends in the Finnish transactions market. Transactions covered in this publication are public and private transactions where either the buyer, target or vendor are based in Finland. Public transactions are defined as transactions where either the buyer, target or vendor company is listed on a public stock exchange. All other transactions have been classified as private. Domestic transactions are defined as transactions conducted within a national boundary, i.e., deals involving two or more incumbent nationals, while cross-border transactions involve companies from at least two different nationalities. Deal Value is the sum of the consideration paid for the applicable equity stake in the target plus the value of target net debt (if available). Inclusion of net debt in the deal value will depend on the stake acquired (for stakes of less than 50%, deal value is the value of the acquired stake only) or the target company type (net debt is not added where the target is a bank, insurance company or financing company). Our classification of private equity deals includes deals involving venture capital investment companies, as well as professional family offices.

Transaction Statistics are based on Mergermarket and EY data. Public market data is sourced from S&P Capital IQ and the Nasdaq Helsinki. Please note that the data presented in this newsletter is based on data sourced on a quarterly basis (extracted on the first week of the following quarter), and that the historical data points presented (for example the number of deals in Q4 2023) have not been updated to reflect changes to the underlying data set that may have been incorporated after the point in time in which the data was sourced. As a result, there may be differences between the data presented in this document and that which can be obtained from the respective data providers at the time of reading this newsletter.

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