

# Transaction Trends

Norwegian M&A update – Q4 2019

## M&A remains resilient in geopolitical headwinds

Transaction Trends, published by EY Transaction Advisory Services, is a quarterly publication that aims to identify trends in the Norwegian transactions market. Data presented in this newsletter cover all transactions where the 500 largest companies in Norway have participated as either target, buyer or vendor. This makes Transaction Trends the most comprehensive transaction newsletter available for the Norwegian market.

During the fourth quarter of 2019, the 500 largest Norwegian companies announced a total of 36 transactions. This is at par with the deal volume recorded in Q4 2018, but slightly below the average for this quarter in the past ten years (39). With 139 transactions announced in 2019, deal making is still strong and remains above the average transaction volume for the past decade (135).

According to Mergermarket, global M&A activity in 2019 was down by 7% (value) and 10% (volume), respectively. However, 2019 is still set out to be the third and fourth strongest year in terms of value and volume to date, despite macroeconomic concerns.

The Oslo Stock Exchange main index ended strong at 931.5, up 16.5% the past year. Supported by the solid market development, 14 new listings were approved, of which 8 was listed on OSE and 6 on Oslo Axess.

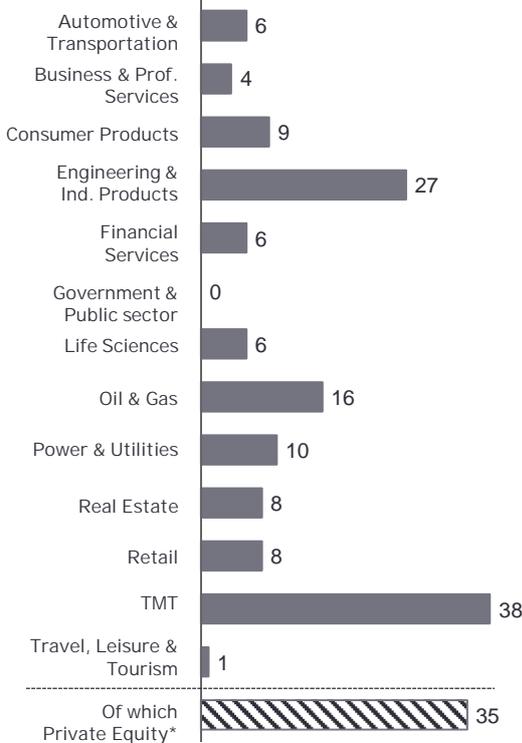
In terms of sector activity, TMT deal volume saw record levels, with 8 new deals announced in Q4 and a total of 38 deals in 2019.

In this issue, we have included a summary of EY's Capital Confidence Barometer, revealing that executives are building corporate purpose into their strategies, and starting to measure its impact on long-term value.

### Also in this issue:

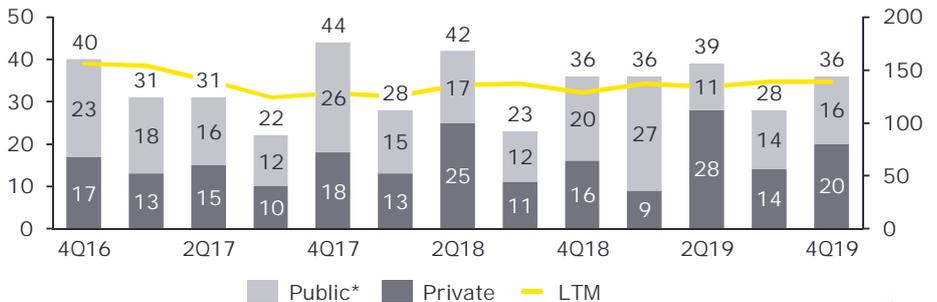
- ▶ Capital Confidence Barometer: Corporate purpose

Last Twelve Months Number of Transactions by Industry  
Source: Mergermarket



\* Private equity deals represent deals where either the buyer or seller is a private equity investment company.

Number of transactions  
Source: Mergermarket



\*Transactions where buyer, vendor and/or target is listed or have a parent company that is listed

# Key highlights and market outlook

2019 ended on a high note with 139 deals announced among the 500 largest companies in Norway. This is above the average deal volume in 2008-2019 (130), and the strongest last twelve months deal count since Q2 2017. However, global and European M&A activity are in decline, impacted by geopolitical concerns related to the trade wars between the US and China, sluggish Eurozone growth as well as the Brexit saga. In the backdrop of this, low interest rates, ample cash reserves and appealing debt financing options are sustaining private equity investments at steady levels.

The Nordics are somewhat on the leeward side in the world of uncertainty. 2020 may well test investor nerves, but we believe that M&A activity will continue to remain strong, absent political or economic shocks.

On 31 October, the Ving Group, a Sweden-based travel agency operator, was acquired by Altor Equity Partners, TDR Capital and Strawberry Group. The transaction represents the acquisition of Thomas Cook's Northern European operations and Thomas Cook Airlines which will be renamed Sunclass Airlines. The transaction will secure jobs of more than 2300 employees following the announced bankruptcy of Thomas Cook Airlines in September 2019.

On 18 December, Solon Eiendom agreed to acquire Kruse Smith Eiendom (KSE), a Norway-based company engaged in property development operations, from Kruse Smith AS for a total consideration of NOK 608m. The consideration is based on underlying property values for KSE of approximately NOK 2,300m. The KSE portfolio includes approximately 660 units under construction and a land bank of 2,500 units.

On 5 December, Euronext Nordics Holding, a Norway-based investment holding company having interest in securities and derivatives exchanges in Continental Europe, agreed to acquire a 66% stake in Nord Pool for an enterprise value of NOK 850m. Nord Pool is Europe's leading power market offering trading, clearing, and settlement in both day-ahead and intraday markets across 14 European countries. Nord Pool is headquarters in Oslo and has offices in Helsinki, Stockholm, Tallinn, Berlin and London. The transaction follows Euronext announcement of the acquisition of Oslo Børs VPS in June 2019.

On 18 November, Polaris Media agreed to acquire a 51% stake in a range of regional newspapers and distribution networks in Agder, from Schibsted Norge AS, Agderposten Medier AS and Schibsted Distribusjon Vest AS. The transaction included Fædrelandsvennen, Lindesnes Avis, Lister, Agderposten Medier AS (media division), Sogne and Songdalen Budstikke, Vennesla Tidende AS, Lillesands-Posten AS and Grimstad Adressetidende AS. The implied equity value of the transaction is NOK 373m.

On 10 December, EQT Partners agreed to acquire Recover Nordic Group, the leading provider of damage control services, emergency response and environmental services in the Nordic countries, from Agilitas Private Equity. The transaction values Recover Nordic at NOK 3bn. EQT deployed capital through its EQT VIII fund.

On 24 October, China Construction Bank Corporation, through its subsidiary China Leasing International Corporation DAC (CCBLI) agreed to acquire a 70% stake in the joint venture comprising of 27 Airbus A320 NEO aircraft from Norwegian Air Shuttle ASA, for a total consideration of USD 1.5bn. The joint venture will reduce Norwegian's current and future capital expenditure. CCBLI has committed to provide senior debt financing to the JV for the 27 aircrafts.

Top transactions last quarter (by deal value, USDm)

Source: Mergermarket

Ann. Date	Target	Vendor	Buyer	Deal Dom. Industry	Deal Value*	Target Turnover
24 Oct	Norwegian Air (27 Airbus A320 NEO aircraft) (70% stake)	Norwegian Air Shuttle ASA	China Construction Bank Corporation	Automotive & Transportation	USD 1,500m	n.a.
3 Oct	Arkona wind farm (25% Stake)	Equinor ASA	Credit Suisse Energy Infrastructure Partners AG	Power & Utilities	USD 548m	n.a.
7 Nov	Eagle Ford Shale (63% Stake)	Equinor ASA	Repsol S.A.	Oil & Gas	USD 325m	n.a.
14 Oct	Edison Exploration & Production S.p.A. (UK and Norwegian assets in North Sea)	Energian Oil & Gas plc	Neptune Energy	Oil & Gas	USD 250m	n.a.
30 Dec	Guangdong Polysil Technology Co., Ltd.	n.a.	Elkem ASA	Engineering & Industrial Products	USD 135m	n.a.

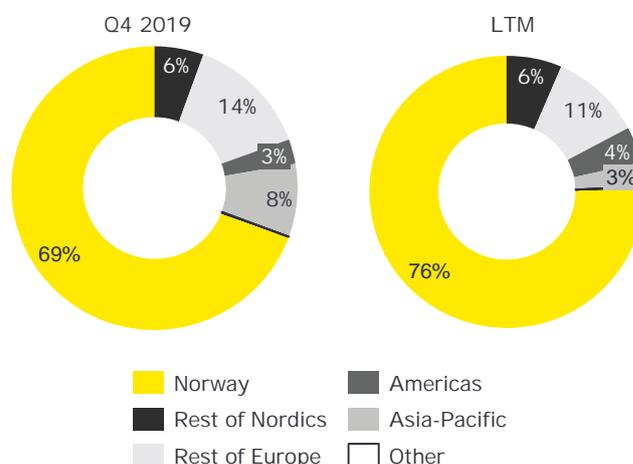
\* Deal values are sourced from Mergermarket and calculated as the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable. Inclusion of net debt in the deal value will depend on the stake acquired (if the acquirer targets a stake of less than 50%, deal value is the value of the acquired stake only) or the target company type (net debt is not added when the target is a bank, insurance company or financing company)

# Activity Breakdown

Norwegian buyers accounted for 69% of all deals made in Q4 2019, which is below the average of 76% for the last twelve months (“LTM”) period. The increase in the share of foreign buyers compared to the LTM period was driven by an increase in bidders from the European and Asia-Pacific areas, amid expectations that a phase-one trade deal between the US and China would be signed in mid-January 2020. Against this backdrop, the share of cross border deals remains at average levels.

The TMT sector continues to attract investors, reaching 38 deals (~27% of total deals) in the LTM period; close to the highest LTM deal count in the history of this newsletter. The TMT sector is followed by Engineering & Industrial Products, being the second largest sector in terms of deal-making with 27 deals in the LTM-period.

Buyer Region  
Source: Mergermarket



Transaction Type  
Source: Mergermarket



Activity by industry  
Source: Mergermarket

Industry	Number of Transactions				
	Q4 2019	2019	2018	Avg. 2008 - 2019	Trend indicator
Automotive & Transportation	3	6	3	7	↗
Business & Professional Services	2	4	8	8	↘
Consumer Products	0	9	15	12	↘
Engineering & Industrial Products	8	27	24	23	↗
Financial Services	0	6	7	7	→
Government, Public sector & Organisations	0	0	0	0	→
Life Sciences	1	6	7	4	→
Oil & Gas	7	16	17	16	↗
Power & Utilities	2	10	13	9	→
Real Estate, Hospitality & Construction	3	8	5	8	↗
Retail	2	8	7	7	→
TMT	8	38	22	25	↗
Travel, Leisure & Tourism	1	1	1	2	→
<b>Total</b>	<b>36</b>	<b>139</b>	<b>129</b>	<b>126</b>	<b>↗</b>

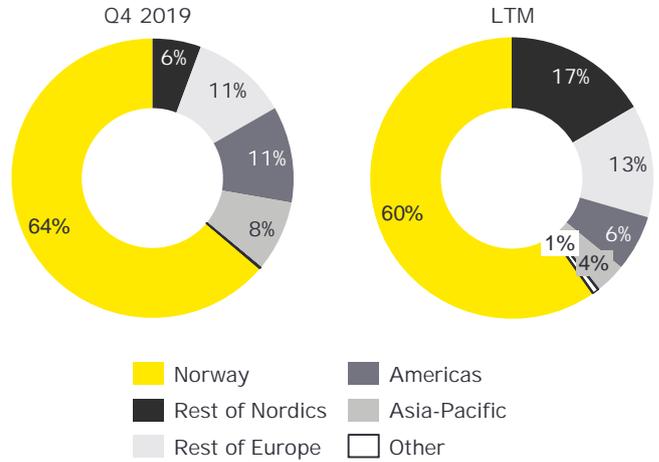
# Activity Breakdown

The appetite for Norwegian targets was restored in the past quarter (64%), from a relatively weak third quarter in 2019 (50%). In the same period, the share of other Nordic targets declined slightly from 75% to 70%, in favor of increased deal making involving targets from Asia-Pacific (8%) and Americas (11%).

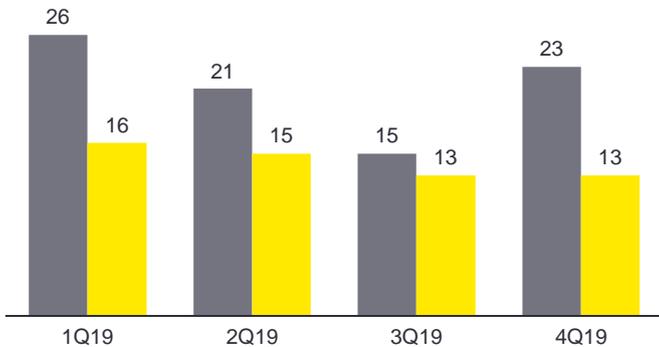
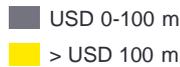
The average deal size among the 500 largest companies in Norway remains at a low of USD 241 million in the fourth quarter of 2019, with only one large-cap deal (>USD 1bn), representing the China Construction Bank Corporation's acquisition of 27 Airbus A320 NEO aircrafts from Norwegian Air Shuttle ASA (deal value of USD 1.5bn). The lack of big ticket deals is in line with European trends, fueled by greater protectionism causing a clear fall in foreign investments.

The relatively low average deal size is also reflected in the share of public deals, being below the average for 2008-2019, but above the LTM average of 36%, as illustrated in the chart below.

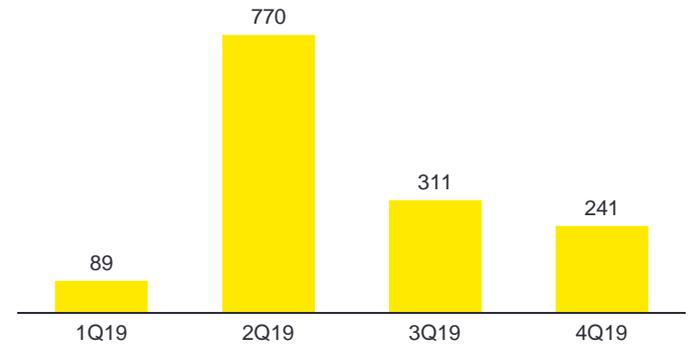
Target Region  
Source: Mergermarket



Deal value by range (est.)  
Source: Mergermarket & EY



Average deal size (USDm, est.)  
Source: Mergermarket & EY



Transaction Arena  
Source: Mergermarket



# Public Market Update

Oslo Stock Exchange ("OSE") saw three new listings in the last quarter of 2019 (TietoEVRY, SATS and Norske Skog), while Oslo Axess had two new listings (Hafnia and Observe Medical). Kahoot! listed on the Merkur Market. The total number of listings in 2019 amounted to 14, down from 18 and 15 listings in 2017 and 2018, respectively.

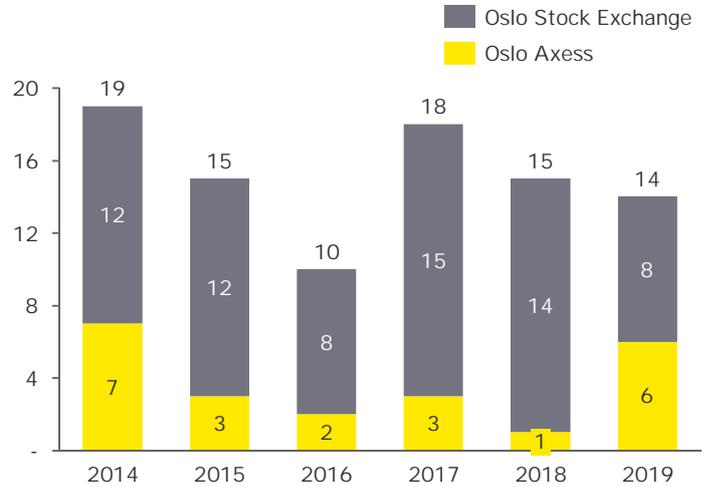
The amount of equity capital raised in 2019 ended in line with the strong 2018 level, totalling NOK 46bn, of which private issues constituted 59%.

The Oslo Stock Exchange main Index ("OSEBX") ended strong and over the past year the index has risen as much as 16.5%, ending at 931.5, supported by an uptick in the oil price (Brent) closing at USD 68.44 at year-end (18.6% up from 1 October 2019). Further, after record lows, the Norwegian Krone (NOK) strengthened in December, and in the Christmas season it has reached its strongest level against trading partner's currencies since September 2019.

The 2019 average OBX P/E multiple is at a low point compared to previous years.

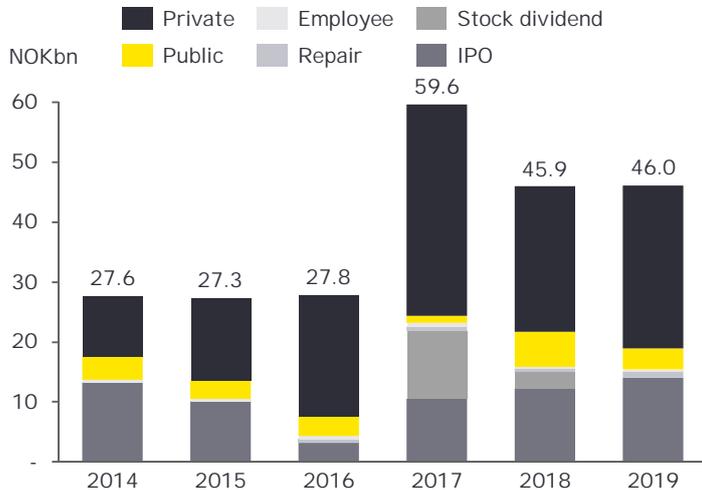
New listings

Source: Oslo Stock Exchange



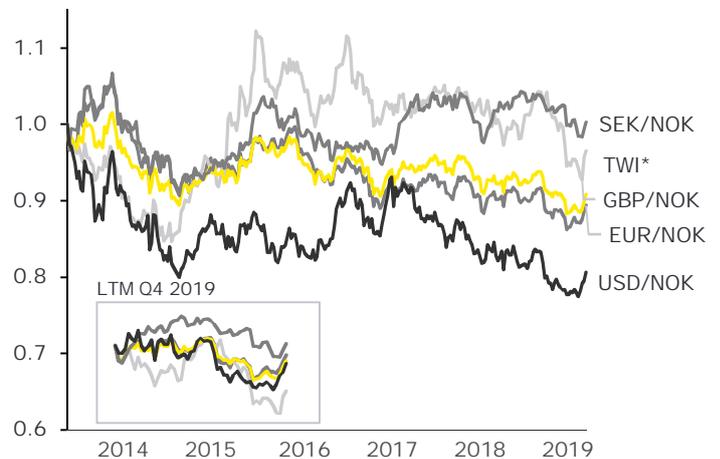
Issues by value, Oslo Stock Exchange & Oslo Axess

Source: Oslo Stock Exchange



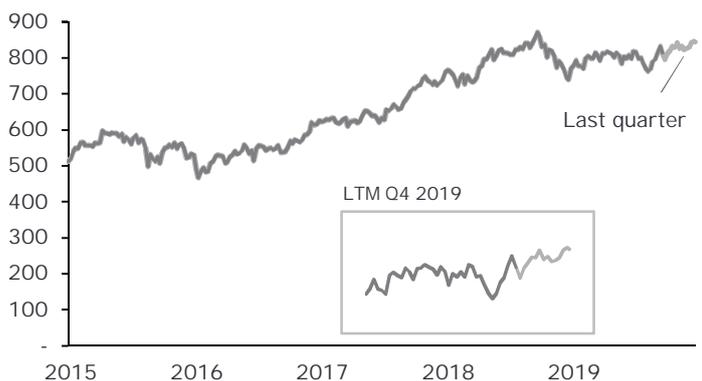
Foreign exchange rates (indexed)

Source: Norges Bank  
\*Trade Weighted Index



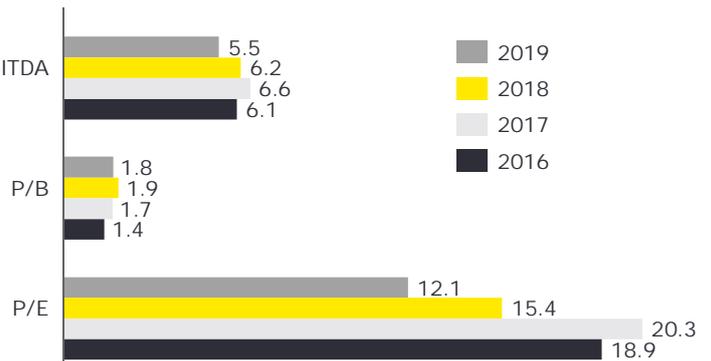
OBX Index

Source: S&P Capital IQ



Avg. OBX multiples

Source: S&P Capital IQ



# Capital Confidence Barometer

## M&A – response or resilience?

The prolonged upward trend for dealmaking is set to continue despite geopolitical and economic concerns

The EY Global Capital Confidence Barometer is a regular survey of senior executives from large companies around the world conducted by Thought Leadership Consulting, a Euromoney Institutional Investor company. The respondent community comprises an independent panel of senior executives and select EY clients and contacts, including leaders of the world's biggest, as well as fastest-growing, companies. The 21<sup>st</sup> Barometer provides a snapshot of our findings, gauges corporate confidence in the economic outlook, identifies boardroom trends and practices in the way companies manage their Capital Agenda, and examines how companies can future-proof their business.

Click [here](#) to read the full report.

Participant profile:

More than **2900 senior executives** surveyed in August and September 2019

Companies from **45 countries**

Respondents from **14 industries**

**1513 (70%)** CEO, CFO and other C-level executives

## Key findings

### 64%

are actively planning to respond to ongoing geopolitical, trade and tariff concerns

Action outweighs uncertainty in the C-suite...

### 54%

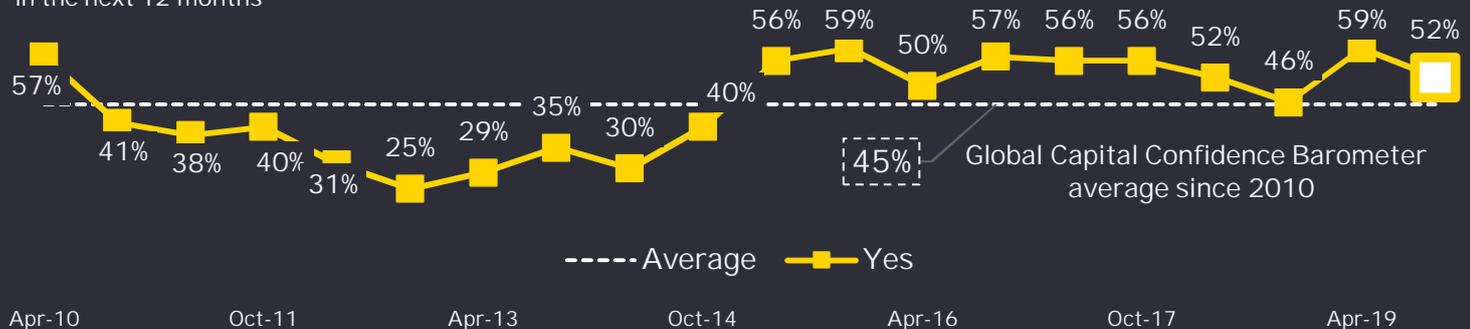
do not expect an economic slowdown in the near to mid term

...and the majority remain optimistic in the near-term economic outlook.

### 52%

are planning to actively pursue M&A in the next 12 months

M&A intentions remain strong...



### 68%

are expecting the M&A market to improve in the next 12 months

...and the C-suit predicts the prolonged dealmaking upcycle will continue.

### 61%

of companies have difficulties securing the right talent

Finding the right talent and technology at speed is driving deals...

### 84%

already have or plan to have social value reporting metrics in place the next year

...as executives articulate long-term value beyond traditional financial metrics.

# Capital Confidence Barometer

## Corporate purpose

Purpose moves to the heart of business strategy

EY's M&A survey reveals that executives are building corporate purpose into their strategies, and starting to measure its impact on long-term value. Respondents have, or are planning to adopt, a range of reporting that goes beyond the purely financial or focused solely on shareholders.

Political and social pressure on companies is rising. The need for corporates to show they are good members of society and are adding value to their people, customers and society has never been greater.

Companies have been very good at reporting their financial contributions and providing a clear narrative around customer value. But now we are seeing meaningful movement toward reporting on investment in talent, including inclusiveness and remuneration, and wider social needs.

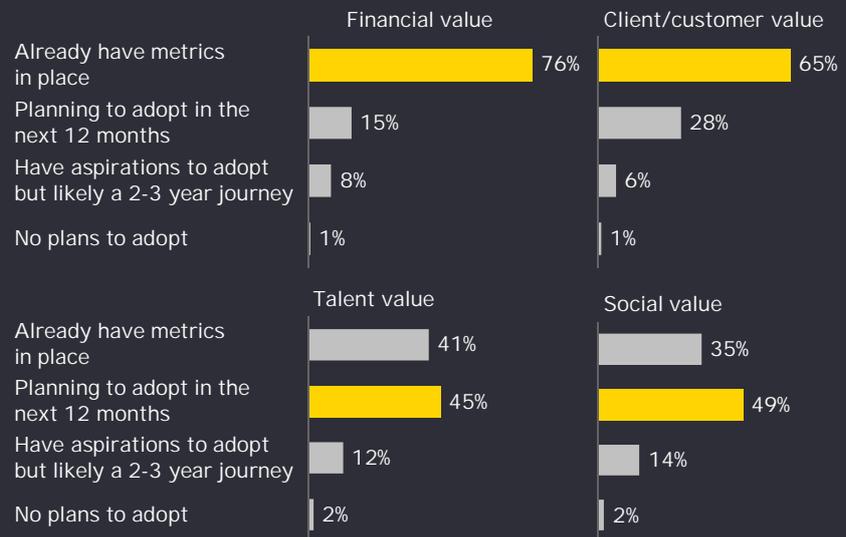
In fact, the best businesses are defined by more than their short-term profitability. They drive broad-based prosperity by creating value for shareholders, customers, employees and society alike. For example, investment in reskilling employees is clearly good for business. But it also benefits employees and equips them for a more successful career, whether within that company or beyond.

Society benefits too, since the economy grows more sustainably with a more highly skilled workforce. And when businesses can make a stronger case that they are creating long-term value for stakeholders across society, they foster trust with wider society. Companies therefore need to find a way to measure and communicate that fully encompassing and compelling long-term value narrative.

Only a small minority of companies have no plans to introduce broader reporting – unfortunately, they could find themselves on the wrong side of this increasingly important debate.

**Q** Are you measuring performance and evaluating management on generating long-term value and communicating the proposition to investors, internal stakeholders and society as a whole?

EY and the Coalition for inclusive Capitalism collaborate on the Embankment Project for Inclusive Capitalism (EPIC), an initiative to identify value drivers important for sustainable and inclusive growth, as well as potential metrics to assess them. The project brought together a collection of participants with both market strength and diversity across the entire investment chain, representing US\$30 trillion of assets under management and almost two million employees around the world.



### Purpose as a filter for M&A

Just as companies are starting to embrace nonfinancial and purpose-driven reporting as part of their wider value proposition, they are starting to build purpose into their deal strategies.

Future deals will need to be viewed through the lens of purpose. Due diligence will need to be focused on talent and social reputational risks as much as financial, market and customers.

The companies that embrace this new approach to dealmaking fastest will be rewarded in long-term value.

## EY Transaction Advisory Services

Complete and integrated  
services covering  
preparation to closing



Global reach and local  
presence with 15,000  
transaction professionals



# Contact list - EY Transaction Advisory Services

## Transaction Diligence



Vegard Stevning  
vegard.stevning@no.ey.com  
+47 916 83 692  
Oslo



Erik Haagensen  
erik.haagensen@no.ey.com  
+47 905 66 778  
Oslo



Trond Olberg  
trond.olberg@no.ey.com  
+47 997 35 554  
Oslo



Bjørn Tore Foss  
bjorn.tore.foss@no.ey.com  
+47 970 25 021  
Oslo



Merete Skage  
merete.skage@no.ey.com  
+47 982 06 499  
Bergen



Marit Dokka Holthe  
marit.holthe@no.ey.com  
+47 917 14 900  
Oslo

## Valuation, Modelling and Economics



Nils Kristian Bø  
nils.kristian.bo@no.ey.com  
+47 971 66 567  
Oslo



Cato Rognli  
cato.rognli@no.ey.com  
+47 982 06 499  
Oslo

## Strategy and Operations



Helge Fredheim  
helge.fredheim@no.ey.com  
+47 913 47 741  
Oslo



Per Flaata  
per.flaata@no.ey.com  
+47 922 34 176  
Oslo

## Corporate Finance



Ole Conrad Siem  
ole.conrad.siem@no.ey.com  
+47 971 16 869  
Oslo



Njaal Arne Høyland  
njaal.arne.hoeyland@no.ey.com  
+47 928 81 430  
Oslo



Kjell Stenersen  
kjell.stenersen@no.ey.com  
+47 982 06 678  
Stavanger



Sigurd Garmann Tuntland  
sigurd.garmann.tuntland@no.ey.com  
+47 901 06 610  
Oslo



Espen Norheim  
espen.norheim@no.ey.com  
+47 928 02 095  
Stavanger



Siri Midling Larsen  
siri.larsen@no.ey.com  
+47 468 43 131  
Oslo

## About this publication

Transaction Trends is a quarterly publication that aims to identify trends in the Norwegian transactions market. Transactions covered in this publication are public and private transactions announced by the 500 largest Norwegian companies (DN500), defined as a transaction where either the buyer, target or vendor company is a Norwegian based company. 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 taken as the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable. 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 also 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 are sourced from S&P Capital IQ and Oslo Stock Exchange.

Transaction Trends is published by EY Transaction Advisory Services.

## Contact information

For further enquiries, or to add your name to the mailing list for this publication, please send an e-mail to [transactions@no.ey.com](mailto:transactions@no.ey.com).

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

© 2020 EYGM Limited.  
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com](http://ey.com)