

Transaction Trends

Norwegian M&A update – Q2 2020

Deal activity going domestic during COVID-19



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Transaction Trends, published by EY Strategy and Transactions, 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 second quarter of 2020, the 500 largest Norwegian companies announced a total of 14 transactions. Following the shut-down of Norway towards the end of Q1 due to COVID-19, M&A activity has slowed significantly; impeded by the threat of global recession, border closures and social distancing. The past two quarters has seen deal volumes drop by approximately 65% compared to average deal volumes over the past 10 years (40), and the number of transactions reported in Q2 was 59% behind average deal volumes in this quarter for the past decade (34).

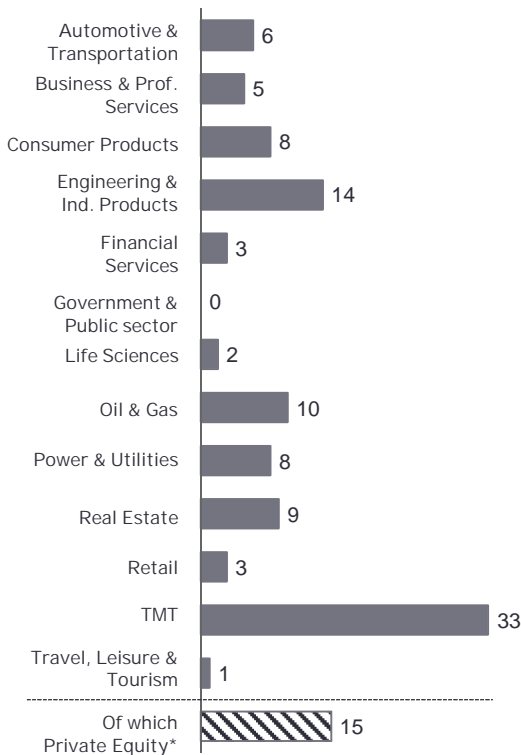
out of 14 bidders comprised of European or other Nordic investors. Moreover, all transactions announced among the 500 largest companies in Norway comprised Norwegian targets.

The past quarter was also characterized by a halt in transactions announced by private companies, which dropped by 72% compared to the same quarter last year.

The decrease in foreign investor presence follows from the volatile market conditions resulting from COVID-19, but is also likely affected by the full stop in travel activity making cross border deal making and transaction execution difficult to conduct.

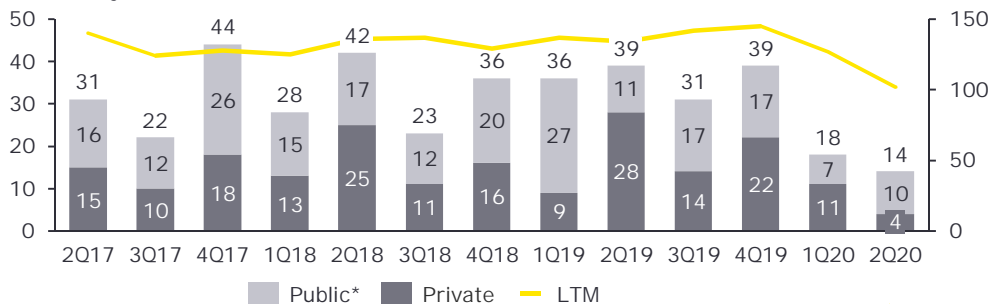
Foreign investors seem to have fled from the Norwegian deal arena in Q2. Only 3

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

The uncertainty caused by COVID-19 continue to prevail Norwegian M&A. Over the last twelve month («LTM») period, the 500 largest companies in Norway announced a total of 102 deals, representing the lowest LTM deal volume observed since Q2 2010. Only 32 transactions in total has been announced as per YTD 2020, which is significantly below the semi-annual average of 47 in the period 2008-2019.

The COVID-19 pandemic has had a sharp and sudden impact on the global economy. The market volatility, expectations of recessions, social distancing and global shut-down has halted particularly foreign target and bidder activity. Also small-cap domestic players are affected, as focus on core operations and short-term credit are overshadowing long-term strategic planning.

While many governments around the world have begun relaxing lockdown measures, including Norway, there is still uncertainty as to the lasting economic impact and effect on M&A recovery. However, we expect a positive lagging effect on M&A in the coming quarters from the recent market rebounds and arising opportunities for opportunistic transactions. In addition, private equity may contribute to continued dealmaking having access to large cash reserves and cheap financing.

On 20 May, the leaseholders of Norwegian Air Shuttle ASA agreed to convert their NOK 9.074bn of lease obligations into equity. This resulted in an issuance of 1,691m shares of Norwegian at a conversion price of NOK 4.25 per share, thereby valuing the transaction at NOK 7.2bn. The conversion will lead to restructuring of existing debt, and the corresponding lease payments will be reduced with approximately USD 12 million per month, deemed necessary as a result of the COVID-19 credit needs. The leaseholders together will own 55.08% in Norwegian Air Shuttle.

On 14 April, Axcel Management A/S agreed to acquire SuperOffice AS along with the management of the company from the founder's family, Visma AS and key employees for a consideration of around NOK 1bn. Founded in 1990 and based in Oslo, SuperOffice is a cloud-based SaaS provider in the Northern European SME CRM software market. The transaction represents Axcel VI's first platform investment and Axcel's first investment in Norway.

On 16 June, a consortium of investors agreed to acquire Veidekke Eiendom AS and Veidekke Eiendom AB, Veidekke's residential real estate development business from Veidekke ASA. The consortium consists of Norwegian Property ASA, Union Real Estate Fund III Holding AS, Fredensborg Bolig AS and Fredensborg Norge AS. The investors will pay a consideration of NOK 3.3bn. Simultaneously, Veidekke Property Development's debt to Veidekke ASA of approx. NOK 4.2bn will be repaid.

On 11 May, Bonnier AB agreed to acquire the Nordic-based publishing companies Strawberry Publishing Sverige AB and Strawberry Publishing Dk A/S, from Strawberry Publishing AS, for an undisclosed consideration. The transaction rationale resulted from Strawberry wanting to invest in digital development and was in need of capital to implement this. Strawberry Publishing AS is owned by Petter A. Stordalen. The hotel business of Stordalen has been significantly impacted by COVID-19.

On 1 May, Glommen Mjosen Skog BA agreed to acquire a 30.70% stake in Moelven Industrier ASA, the Norway-based provider of building products and associated services, from Eidsiva Energi AS and Felleskjøpet Agri BA, for a consideration of NOK 650m. The Glommen's shareholding in Moelven increased from 41% to more than 71% post-transaction, and the transaction has been approved by the competition authority.

Top transactions last quarter (by deal value, USDm)

Source: Mergermarket

Ann. Date	Target	Vendor	Buyer	Deal Dom. Industry	Deal Value*
16 Jun	Veidekke Eiendom AB; Veidekke Eiendom AS	Veidekke ASA	Consortium of Investors	Real Estate, Hospitality & Construction	USD 800m
20 May	Norwegian Air Shuttle ASA (55.08% Stake)	-	Norwegian Air Shuttle ASA (leaseholders)	Automotive & Transportation	USD 720m
14 Apr	SuperOffice AS	Visma AS, incl. others	Axcel Management A/S	TMT	USD 98m
1 May	Moelven Industrier ASA (30.7% Stake)	Eidsiva Energi AS; Felleskjøpet Agri BA	Glommen Mjosen Skog BA	Engineering & Industrial Products	USD 74m
2 Jun	Grieg Newfoundland AS (99% Stake)	Ocean Choice International L.P.; Grieg Kapital AS; Kvasshogdi AS; Knut Skeidsvoll	Grieg Seafood ASA	Consumer Products	USD 64m

* 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)

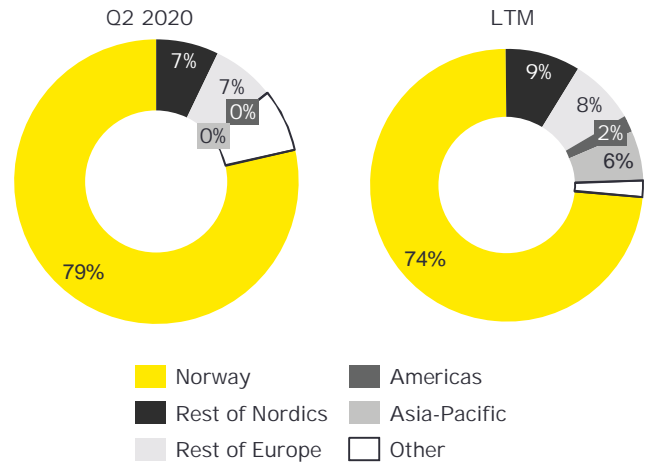
Activity Breakdown

Norwegian buyers accounted for 11 out of the 14 deals announced in Q2 2020 (79%), which is above the average for the last twelve month period ("LTM") of 74%. By transaction type, domestic transactions are dominating the deal arena, representing a significant drop in foreign investor activity compared to previous quarters.

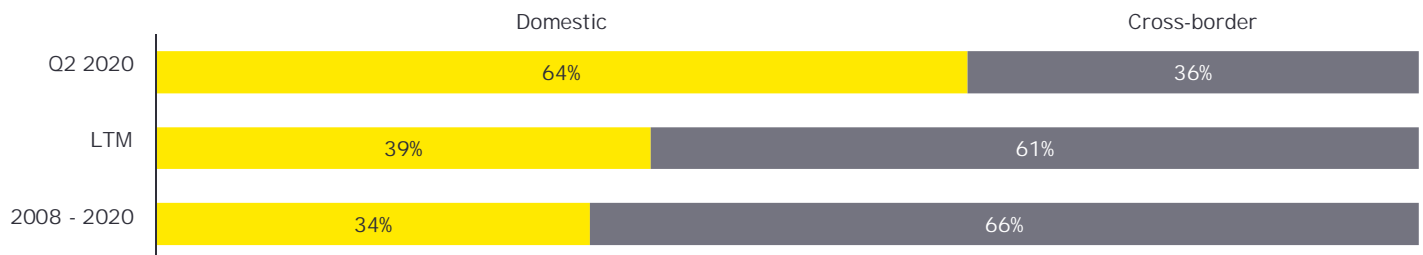
The decrease in foreign bidder presence is driven by the volatile market resulting from COVID-19, as well as the country border closures and full stop in travel activity making cross border deal making and transaction executions difficult to complete, as investors are facing challenges related to target follow-up and strategic implementations post-transaction due to the physical distance.

In terms of deal activity by sector, we observe a negative trend in the number of transactions across most industries.

Buyer Region
Source: Mergermarket



Transaction Type
Source: Mergermarket



Activity by industry
Source: Mergermarket

Industry	Number of Transactions				Trend indicator
	Q2 2020	LTM	2019	Avg. 2008 - 2019	
Automotive & Transportation	1	6	6	7	→
Business & Professional Services	0	5	5	8	→
Consumer Products	4	8	10	13	→
Engineering & Industrial Products	2	14	26	23	↘
Financial Services	1	3	6	7	↘
Government, Public sector & Organisations	0	0	0	0	→
Life Sciences	0	2	4	4	↘
Oil & Gas	0	10	15	16	↘
Power & Utilities	3	8	9	9	→
Real Estate, Hospitality & Construction	1	9	8	8	→
Retail	0	3	6	7	↘
TMT	2	33	49	26	↘
Travel, Leisure & Tourism	0	1	1	2	→
Total	14	102	145	130	↘

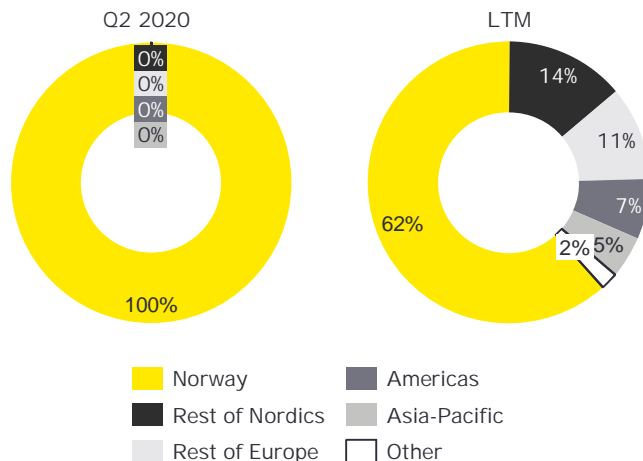
Activity Breakdown

In Q2 2020, all transactions announced among the 500 largest companies in Norway were of Norwegian targets, a first in the history of this newsletter. The full stop in transactions involving foreign targets underlines the impact of the global shut downs resulting from COVID-19.

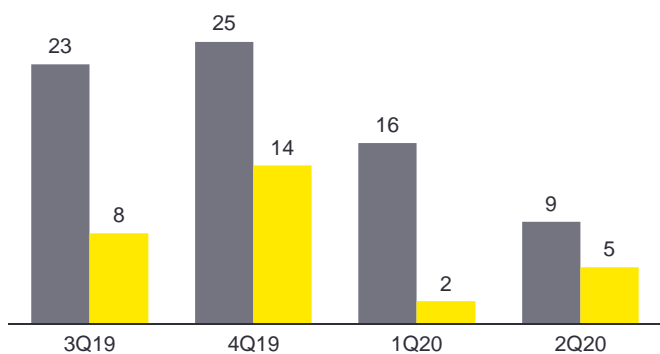
As a result of the market volatility and liquidity constraints, the deal arena was dominated by transactions performed by publicly traded companies, which was 23 percentage points above the average share of 48% for the period 2008-2020. Transactions announced by private companies dropped by 72% compared to the same quarter last year.

Average deal size for disclosed transactions remained at the same level as previous quarters.

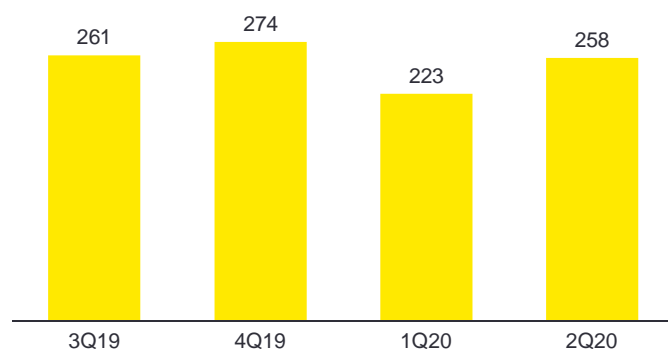
Target Region
Source: Mergermarket



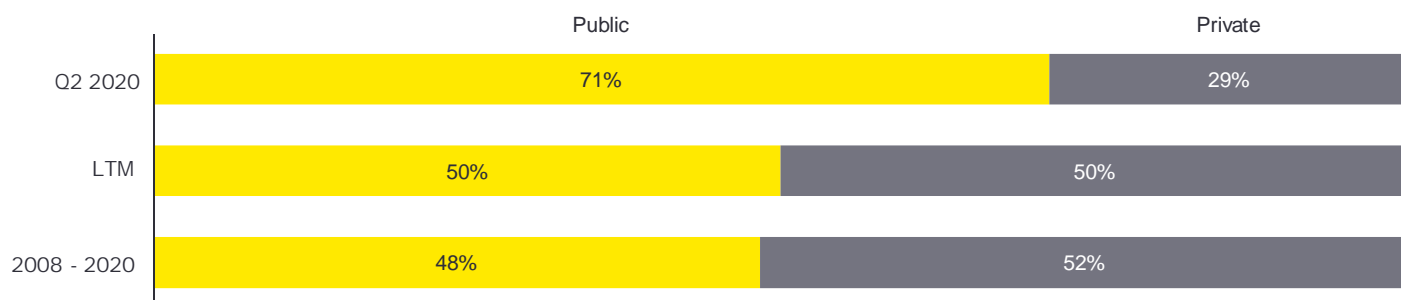
Deal value by range (est.)
Source: Mergermarket & EY



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



Transaction Arena
Source: Mergermarket



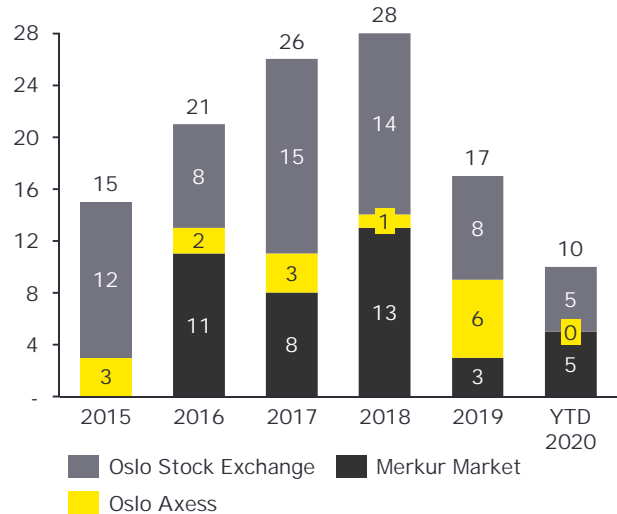
Public Market Update

Oslo Stock Exchange (“OSE”) saw three new listings in the second quarter of 2020; Pexip Holding ASA, Atlantic Sapphire AS and Hafnia Limited. Andfjord Salmon AS, Ice Fish Farm AS Romsdal Sparebank and Cloudberry Clean Energy AS listed on Merkur Market. Despite the backdrop of volatile markets, the number of listings as per YTD remain at par with the same period last year.

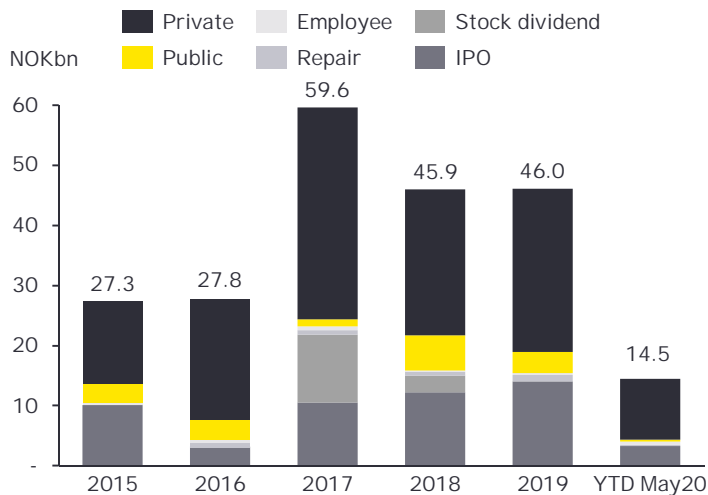
After the significant drop in Q1 2020 of 25%, driven by the uncertainty related to COVID-19 and oil price decline, the Oslo Stock Exchange main Index (“OSEBX”) experienced its best quarter since 2010, ending up 12.5% higher in Q2 at 795.22. However, the main Index remain 16% behind the all-time-high quote of 946.63 on 17 January 2020. The oil price (Brent) climbed just over 60% in Q2, retrieving parts of the major decline from the previous quarter of 69.7%.

The value of the Norwegian Krone (NOK) appreciated somewhat after the significant depreciation in Q1 compared to the currencies of its main trading partners. As a result of the market and oil price rebound and the strengthening of the NOK, the YTD average OBX P/E multiple for 2020 improved by 7.1% compared to the level observed one quarter ago.

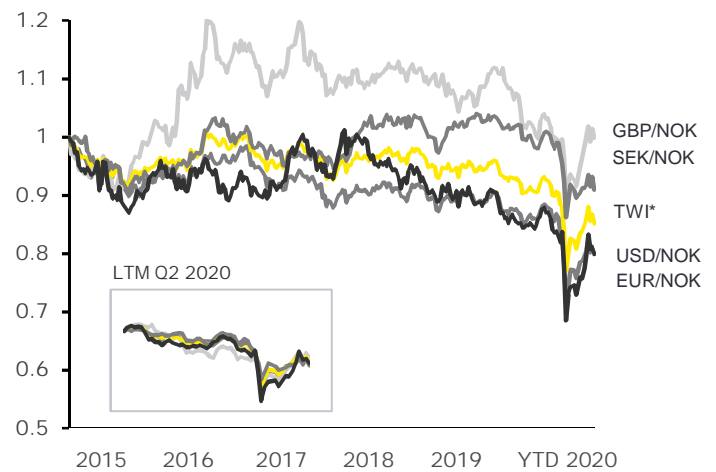
New listings
Source: Oslo Stock Exchange



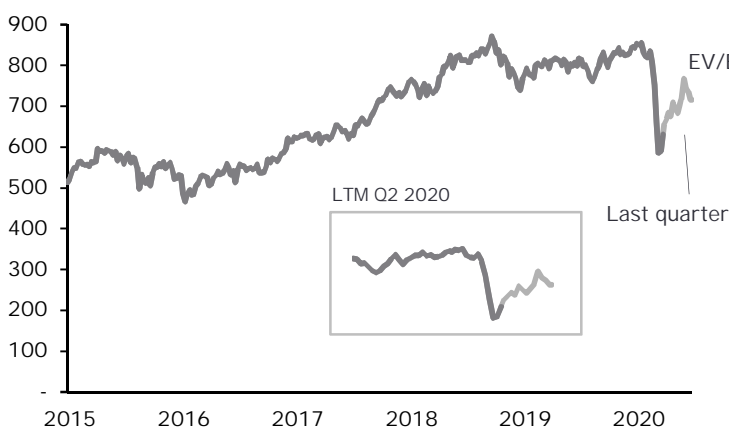
Issues by value, Oslo Stock Exchange & Oslo Axess
Source: Oslo Stock Exchange



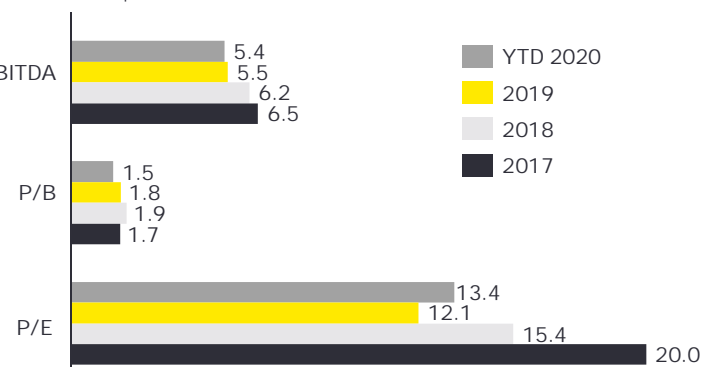
Foreign exchange rates (indexed)
Source: Norges Bank
*Trade Weighted Index



OBX Index
Source: S&P Capital IQ



Avg. OBX multiples
Source: S&P Capital IQ



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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.

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