

The background of the slide features a dark, semi-transparent image of a person's hand holding a smartphone. Overlaid on this image is a light-colored line graph showing an upward trend with some fluctuations, and a series of vertical bars of varying heights, resembling a bar chart or stock market data. The overall tone is professional and business-oriented.

Transaction Trends

Finnish M&A update - Q4 2023

High hopes for a better 2024

Quarter summary

127

of transactions
announced

Highlights | [Page 3](#)

€106m

Average disclosed deal
value

Key transactions | [Page 5](#)

AM&M

Most active industry with
40 deals

Industry trends | [Page 6](#)

36%

Share of foreign buyers

Transaction region
and geography | [Page 7](#)

2

New listings on Nasdaq
Helsinki

Market update | [Page 8](#)

2

Highlights of EY advising in
clean energy transitions

EY supported transaction
highlights | [Page 9](#)

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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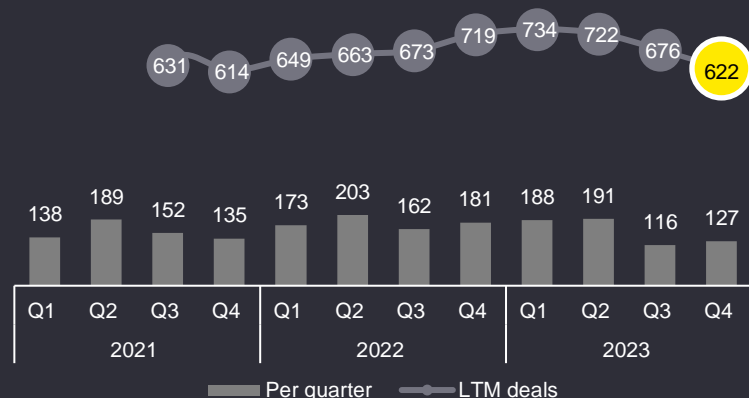
The Transaction Trends Editorial Team

Deal volumes remain at a low level, subtle signs of increasing activity in the air

During the fourth quarter of 2023, we observe **127 transactions** in the Finnish M&A market. The quarter significantly underperforms Q4 2022, with deal volumes down c. 30% YoY. Compared to Q3 2023, the quarter saw 11 more transactions.

LTM deal activity amounts to **622**, primarily driven by the AM&M (37%) and TMT (26%) industries. The deal count observed from these industries in Q4 2023 decreased by c. 45% and 22%, respectively, compared to the same quarter in 2022.

LTM number of transactions in the Finnish M&A market
Source: Mergermarket, EY analysis



Banks' tighter lending standards, higher interest rates and many companies focusing on retaining and improving the profitability of their existing business contributed to **the low deal activity in Finland in Q4 2023**.

The share of **Private Equity transactions** (30%) remained stable in Q4 2023 compared to the last quarter (Q3 2023, 30%) and the 2021-2022 quarterly average (30%). There were 38 transactions involving PE firms in Q4 2023 while PE activity in Finland has been quieter compared to the rest of the Nordics.

PE firms and well-established companies have been **active in mapping out potential targets in 2023** but a valuation gap between buyers and sellers has prevented deals from being completed. The PE market as well as the transaction market in general are expected to pick up in 2024 in Finland as there is still a substantial amount of dry powder to be invested supporting M&A activity especially in the PE sector once the valuation gap and financing constraints are solved. In addition, some companies are actively reviewing their assets to divest operations that no longer support their core strategy.

The year of 2023 saw **a number of public tender offers (PTOs)** in Nasdaq Helsinki, the most notable ones being **Caverion Oyj**, acquired by Triton Partners at an EV of €1.5bn and **Uponor Oyj**, acquired by Georg Fischer AG at an EV of €2.1bn. The latest PTO was made when a consortium led by Sonae SGPS SA announced an offer of €26 per share for **Musti Group Oyj** on 29 November 2023. The voluntary recommended public cash tender offer for all shares in Musti Group commenced on 18 December 2023 for the deal valuing Musti Group at an EV of €1.0bn.

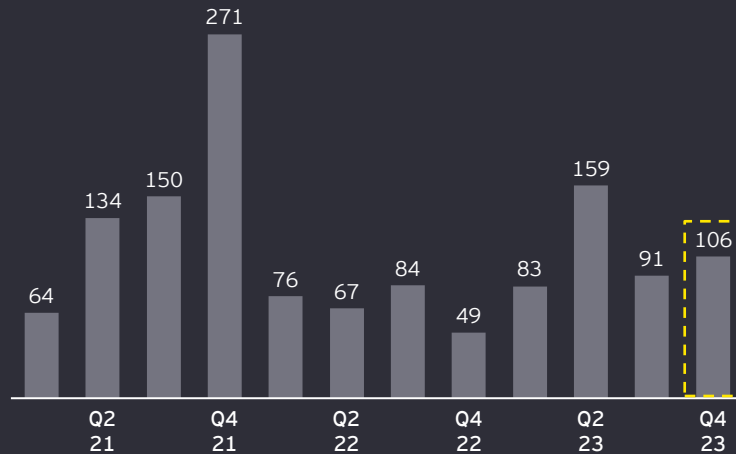
Q4 2023 saw **two new listings** at Nasdaq Helsinki, **the technical listing of Lamor Corporation Oyj** to the main list and **the spin-off of Mandatum Oyj**. Market uncertainty and stricter monetary policies have significantly damped the appetite for IPOs in the last 12-18 months, with several listings being put on hold. We are, however, seeing signs of increased activity in the Nordics, with high-quality assets preparing to come to market, potentially paving the way for increased IPO activity towards the latter part of 2024 also in Finland.

Quarter highlights

Average deal value (€m)

Source: Mergermarket

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



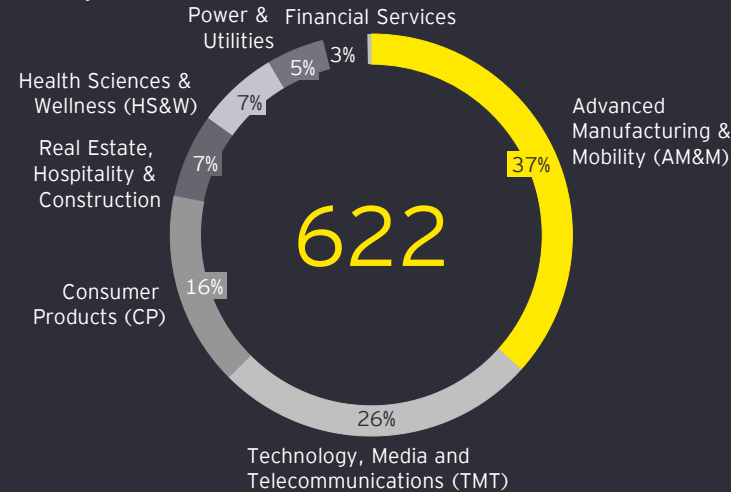
Transactions this quarter

The number of transactions observed in the quarter amounted to 127. The average deal value stands at €106m based on 38 transactions with announced deal values.

Of the 38 transactions, 55% saw deal values below €10m, while another 32% reported deal values between €10 and €100m, and 13% exceeding €100m in deal value. Driven by the spin-off of Mandatum Oyj and the PTO of Musti Group Oyj, this quarter's combined reported deal value amounted to €4.0bn, which is somewhat higher than the combined deal value in Q3 2023 of €3.3bn.

LTM share of transactions per industry

Source: Mergermarket



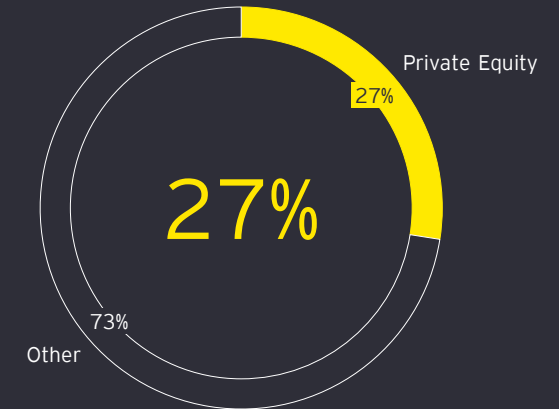
Deals per industry

Deal activity in Q4 2023 saw a decline across most industries, with Financial Services representing an exception, showing an increase of 1 deal compared to Q4 2022. **AM&M** continues to contribute the highest number of deals (37%), followed by **TMT** (26%) and **CP** (16%).

Power & Utilities (PU) suffered the largest decline, with deal count observed from the industry decreasing by 50% compared to Q4 2022.

LTM share of transactions involving Private Equity firms

Source: Mergermarket



PE deal activity

In Q4 2023, the number of transactions involving Private Equity firms was 38, indicating a **share of 30%** of total transactions and landing exactly at the 2021-2022 average level (30%). Q4 2023 levels have increased compared to the LTM share (27%) indicating a growing trend.

A notable transaction involving PE firms in Q4 2023 was CapMan Oyj acquiring Dasos Capital Oy, investment advisor of timberland investing, with a deal value of €40m. The largest disclosed PE deal in 2023 was struck by Triton Partners, which placed a bid to acquire Caverion Oyj at an EV of €1.5bn.

Key transactions this quarter

	1	2	3	4	5	Avg.
Deal value*	969m	258m	185m	48m	30m	106m
Description	On 29 November, consortium of Sonae SGPS SA and Musti Group Oyj's existing management has offered €26 per share in Musti Group Oyj to acquire 95.77% stake in the Finland-based retailer of pet care products. The deal is still pending and awaiting regulatory approvals and offeror gaining 90% control.	On 4 December, Sterling Specialty Chemicals LLC , the US-based toll manufacturer, agreed to acquire Kemira Oyj's Oil & Gas business . The divestment will allow Kemira to focus on sustainability and to its strategic priorities. The transaction is conditional on regulatory approvals.	On 20 December, Lumine Group , the Canada-based software company, agreed to acquire Nokia Oyj's Device Management and Service Management Platform business . The deal enhances Lumine Group's software portfolio and allows Nokia to invest in other strategic areas.	On 5 December, Eolus Vind AB , the Sweden-based company engaged in planning, projecting and establishing wind power plants expanded its portfolio by acquiring YIT Energy Oy , the renewable energy division of YIT Oyj, the Finland-based listed construction company.	On 8 December, OP Finland Infrastructure LP , acquired 15.4% stake in ESL Shipping Oy , the local provider of shipping services for dry-bulk freight and cargo, from Aspo Oyj . The deal will enable Aspo to accelerate ESL Shipping's green transition.	This quarter, the average deal value (for transactions with reported deal values) was €106m. The number of transactions with reported deal value amounted to 38 out of 127 transactions announced.
Industry	Consumer	Advanced Manufacturing & Mobility	Technology, Media & Telecom	Power & Utilities	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		# of transactions					3-year median			# of observations		
Industry	2022	2023	Qrt. Avg. 21-23	Q4 2022	Q4 2023	Q4 Trend	EV / Rev	EV / EBITDA	EV / EBIT	EV / Rev	EV / EBITDA	EV / EBIT
Advanced Manufacturing & Mobility	268	228	54	73	40	↓	0.7x	7.8x	9.6x	75	68	62
Consumer Products	110	97	20	23	18	→	0.8x	11.3x	13.4x	31	26	23
Financial Services	21	17	6	5	6	↑	0.9x	5.9x	8.0x	13	12	12
Government, Public Sector & Organisations	4	5	1	1	1	→	0.6x	17.7x	20.0x	1	1	1
Health Sciences & Wellness	54	41	9	8	8	→	1.1x	26.1x	34.3x	10	7	6
Oil & Gas	1	2	2	-	1	n.a.	0.0x	0.9x	n.a.	1	1	-
Power & Utilities	30	29	10	12	6	↓	0.3x	7.3x	8.0x	6	7	5
Real Estate, Hospitality & Construction	34	42	10	13	11	→	1.4x	5.9x	6.8x	9	9	9
TMT	197	161	36	46	36	→	2.9x	15.2x	15.9x	65	53	49
Total	719	622	148	181	127		1.1x	9.8x	13.3x	211	184	167

Source: Mergermarket, S&P Capital IQ

Note: The 3Y EV/Revenue, EV/EBITDA and EV/EBIT multiples are based on a total of 211, 184 and 167 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 Q4 2023 saw a decline across most industries, with Financial Services representing an exception, showing an increase of 1 deal compared to Q4 2022.

Power & Utilities (PU) and **Advanced Manufacturing & Mobility (AM&M)** suffered the largest declines, with deal counts observed from these industries decreasing by 50% and c. 45%, respectively, compared to Q4 2022.

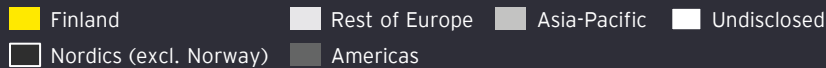
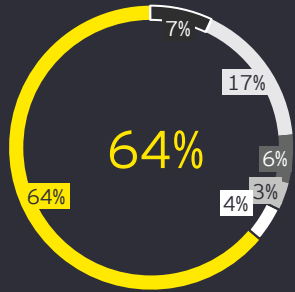
Multiples

The share of deals with disclosed value in Q4 2023 was 30%, which is somewhat in line with previous quarters, 31% in Q3 2023, 28% in Q2 2023, 20% in Q1 2023 and 25% in Q4 2022. A challenging pricing environment has been holding back deals in 2023 as sellers are struggling to let go of the higher valuation levels of the time before ECB interest rate hikes. However, the high number of PTOs (e.g., Caverion, Uponor, Rovio, and Musti Group) in Nasdaq Helsinki in 2023 could indicate that some investors believe that the pricing of certain listed companies has become more reasonable making them more attractive for delisting.

Transaction region and geography

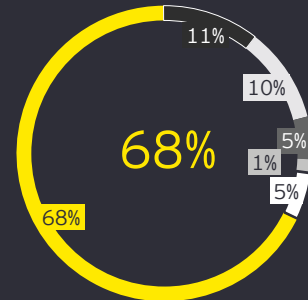
Buyer region, Q4 2023

Source: Mergermarket, S&P Capital IQ



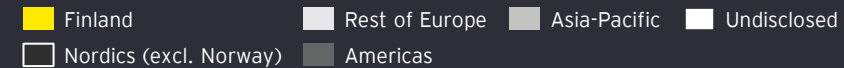
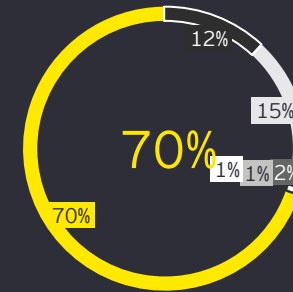
LTM buyer region per Q4 2023

Source: Mergermarket, S&P Capital IQ



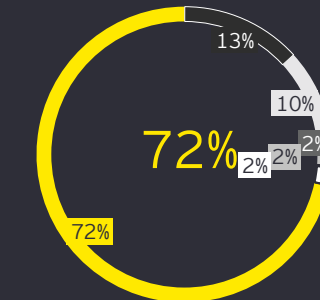
Target region, Q4 2023

Source: Mergermarket, S&P Capital IQ



LTM target region per Q4 2023

Source: Mergermarket, S&P Capital IQ

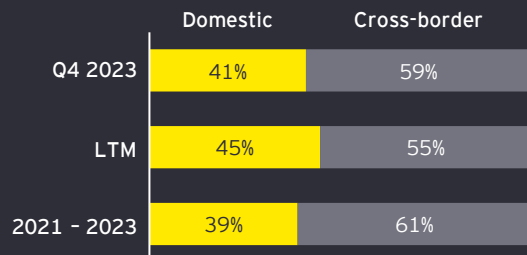


Target region

In Q4 2023, the share of Finnish targets increased by 6 percentage points compared to Q3 2023, from 63% to 69%. The number of Finnish targets increased from 73 in the previous quarter, to 87 deals in Q4 2023. Additionally, we observe a decrease in targets from Nordics (excl. Finland) and an increase in targets from Rest of Europe compared to the previous quarter.

Share of domestic vs. cross-border transactions

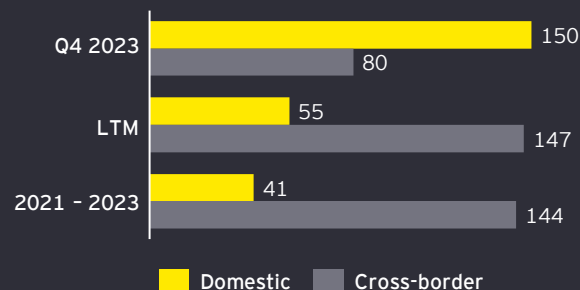
Source: Mergermarket, S&P Capital IQ



Average deal value (€m)

Source: Mergermarket

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



Transaction geography

The share of domestic transactions in Q4 2023 (41%) is slightly above the three-year historical average (39%), but below what we observed in the LTM period (45%). Cross-border M&A is particularly high in the TMT industry, where 75% of deals in Q4 2023 included a foreign company as either target, buyer or seller.

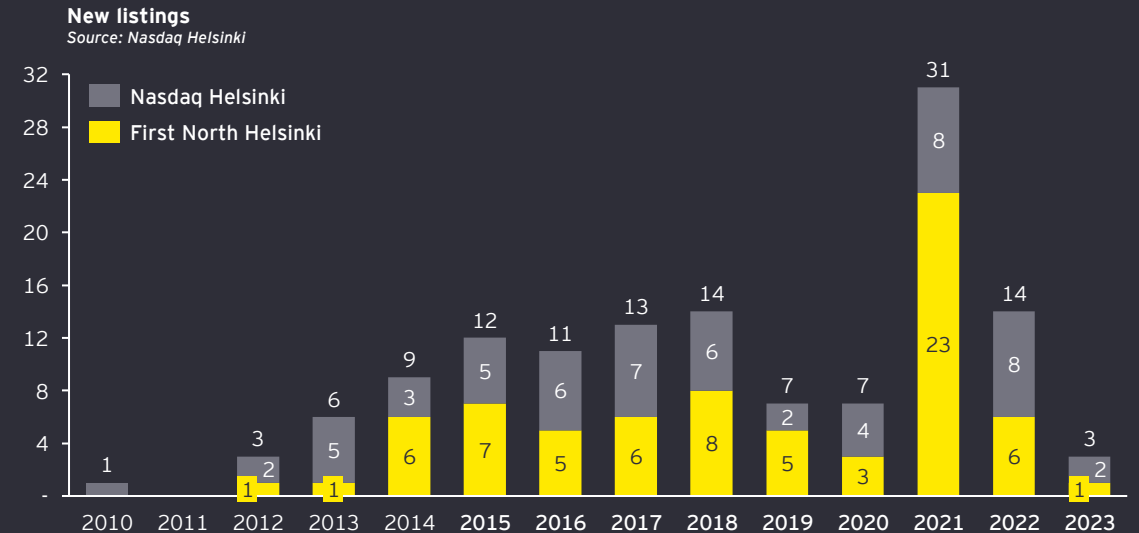
The three-year (2021-2023) cross-border and domestic average deal values have been €144m and €41m, respectively. Exceptionally, in Q4 2023 the average domestic deal value has been higher than in cross-border transactions in Q4 2023 (€150m vs. €80m) which is due to the high deal value of the Mandatum Oyj spin-off. The average deal value in domestic and cross-border deals were €55m and €147m in 2023, respectively.

Market update



The OMXH25 index has **increased by 5.6% in Q4 2023** along ECB taking a break in the interest rate hikes in October and Euribor rates turning down.

The Helsinki stock exchange indices lost to its Nordic and European peers with a negative return of during 2023 due to the large weight of industrial and cyclical companies which operating results move along the economic cycles. Additionally, geopolitical risks pressed down the results of the Finnish companies still in 2023 and especially real estate companies suffered from the high inflation and interest rates. Despite of the gloomy year-to-date index performance in 2023, some Finnish companies' share prices have performed well over the year, Wärtsilä, Viking Line, Marimekko, Konecranes and Harvia to mention but a few.



The number of new listings at Nasdaq Helsinki was **at the lowest level of the past ten years** in 2023. Two listings took place in Q4, the technical listing of **Lamor Corporation Oyj** which switched to Nasdaq Helsinki main list from the First North Finland marketplace and the spin-off of **Mandatum Oyj** from Sampo Oyj listing to the main list in the beginning of October.

In addition, earlier in 2023, **Pohjanmaan Arvo Sijoitusosuuskunta** had a technical listing to First North Finland in June without additional share issue.

Diminished listing activity is due to market uncertainty and stricter monetary policies, making capital raising and public listings more challenging. However, in Sweden we are currently experiencing a slightly positive shift in listing sentiment. Hopefully this will also be reflected in Finland as there are tens of Finnish companies with IPO aspirations. Yet, it is possible that we will not see listing activity before towards the end of 2024.

EY is assisting clients in leading the Finnish clean energy transition

EY acted as M&A advisor on:

2023

Secures project financing and a PPA from



EY acted as debt and PPA advisor to CPC on their 32MW Finnish solar PV project

M&A | Debt | PPA

EY is acting as M&A advisor on:

Ongoing

Has launched a tender process to select investors for 2 offshore wind projects with a combined capacity of c. 3GW

EY is acting as a financial advisor to Metsähallitus in the tendering process of the two offshore wind projects

M&A | ESG DD

Expecting a surging solar market in Finland

In November 2023, CPC Finland announced the successful closing of a non-recourse project financing agreement with DAL Deutsche Anlagen-Leasing for the construction of the 32 MW Lakari solar park in Rauma, Finland.

Construction of the project featuring over 58,000 solar panels is already ongoing, and the plant is scheduled to be commissioned in April 2024, making it the first operational large scale solar park in Finland once commissioned - ahead of an estimated c. 7 GW of solar PV projects being currently developed in Finland.

Alongside the project funding from DAL, CPC Finland also secured a long-term Power Purchase Agreement (PPA) with Neste, the world's leading producer of sustainable aviation fuel, that will use the electricity produced by the solar park to power part of its refinery in Porvoo, Finland.

Finnish government's ambitious offshore wind targets

In November 2023, Metsähallitus launched the tender process of the next two large-scale offshore wind power projects located off Närpiö and off Pyhäjoki-Raahe on the west coast of Finland. These two projects are a part of a larger portfolio the Government plans to auction that includes five offshore wind farm projects in public / territorial water areas.

These substantial projects play a significant part in the Finnish government's ambitious emission reduction targets and the Finnish green transition goals.

The total planned capacity of these two projects will be approximately 3,000 MW and are estimated to produce up to 14 TWh of clean electricity annually - equaling to more than 17% of the nation's current electricity consumption.



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Transaction Tax

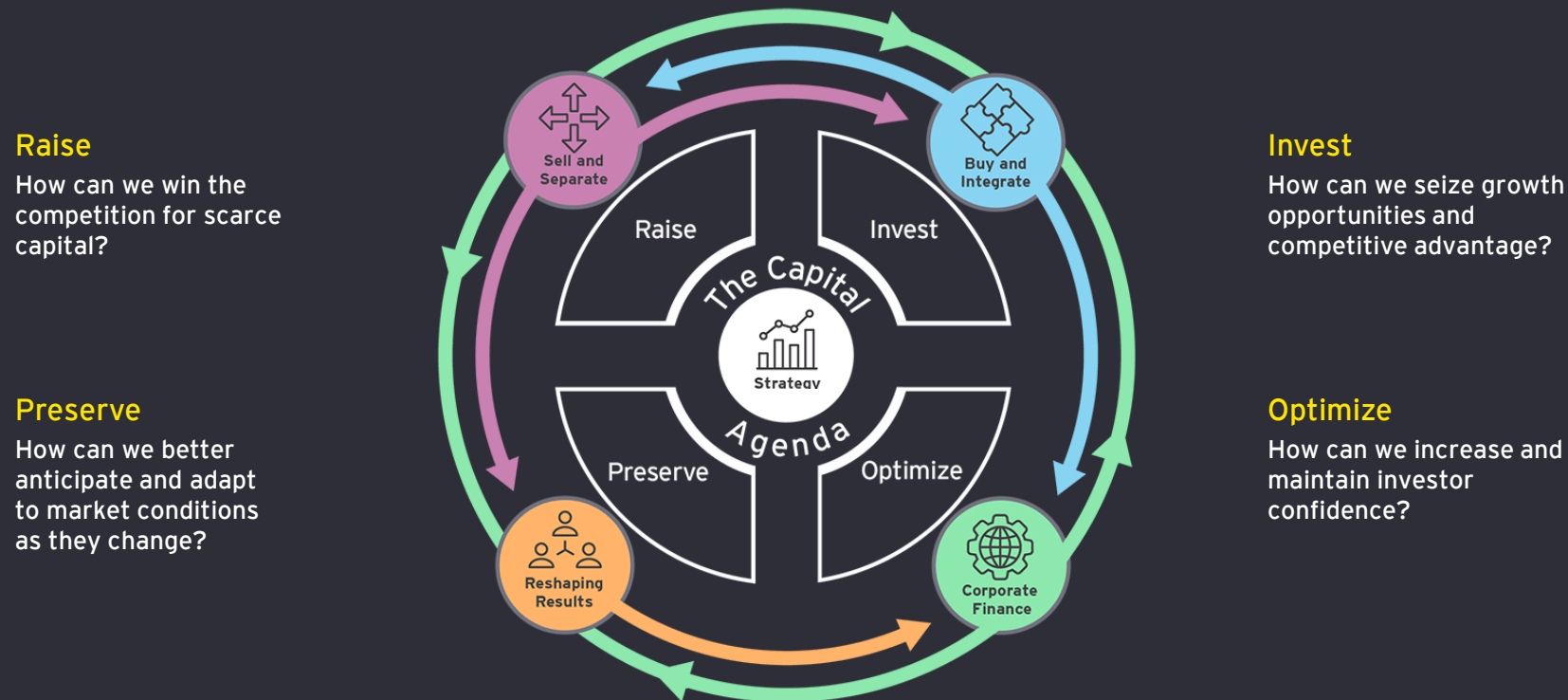


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About this publication

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. 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 day of the following quarter), and that the historical data points presented (for example the number of deals in Q4 2022) 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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