

# The New State of M&A

## The Nordics



# Contents



Executive Summary	02
2020 The Current State of M&A in the Nordics	06
2025 The Future State of M&A in the Nordics	07
Case Study Carnegie	08
Case Study Nordea	10
Datasite with you every step of the way	12
Research Methodology	13
Research Demographics	14
Results	15

# Executive Summary

## Spotlight on the Nordics

**For all the advances in recent years, just how digitally mature and technologically sophisticated is the M&A, due diligence, and asset marketing process in the Nordic countries?**

Moreover, what does the process look like today, and how might technology and accelerating digitization change the dealmaking process over the coming years?

These are some of the key questions we wanted to investigate and answer in this research, which involved surveying 103 Nordic M&A practitioners from corporates, private equity firms, investment banks, and law and professional services firms, for their views on the subject.

The Nordic respondents, who form part of a global survey of 2,235 practitioners, provide insight on the current and future state of the dealmaking process, and their responses reveal many similarities in opinion with their regional peers, too.

**103** Nordic-based M&A practitioners surveyed

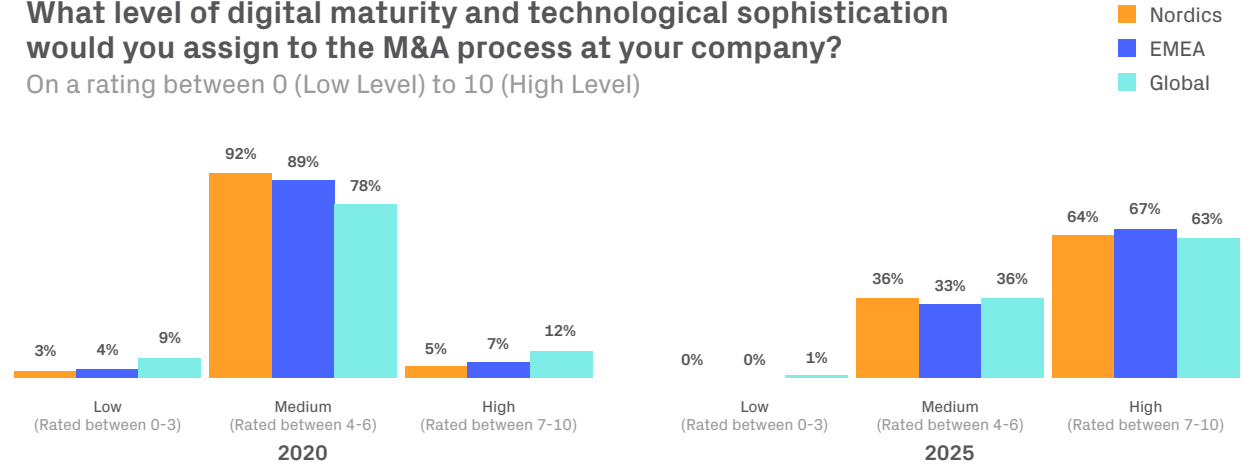
## Conservative digital maturity and technological sophistication expectations vs EMEA peers

Most Nordic practitioners today assess that the digital maturity and technological sophistication of the M&A process at their company and industry-wide is at a medium level, and they expect this to rise to a high level in five years' time.

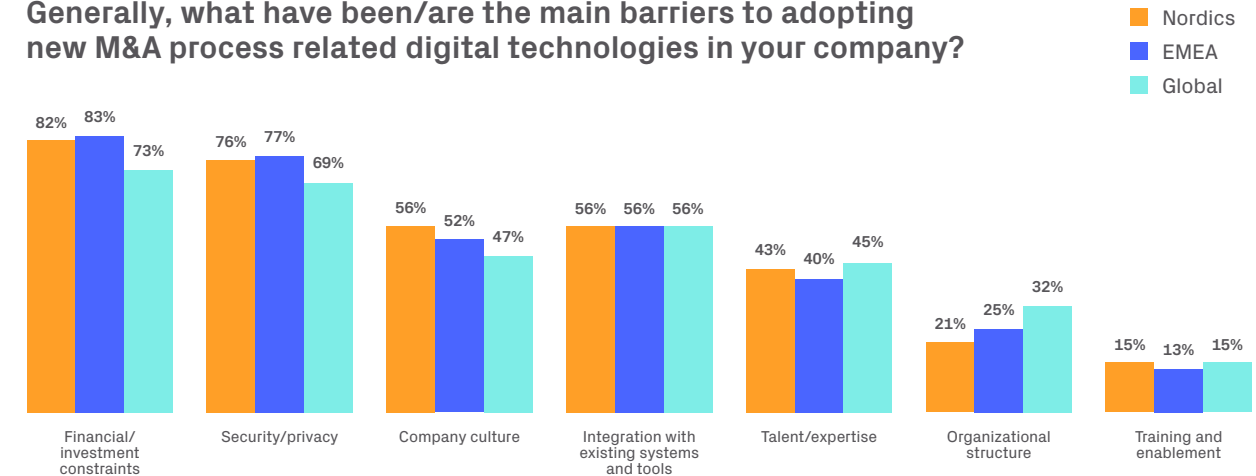
This view is shared by their EMEA peers, who also believe, similar to Nordic practitioners, that financial constraints and security and privacy issues are two of the main barriers to their company adopting M&A process-related digital technologies.

## What level of digital maturity and technological sophistication would you assign to the M&A process at your company?

On a rating between 0 (Low Level) to 10 (High Level)



## Generally, what have been/are the main barriers to adopting new M&A process related digital technologies in your company?

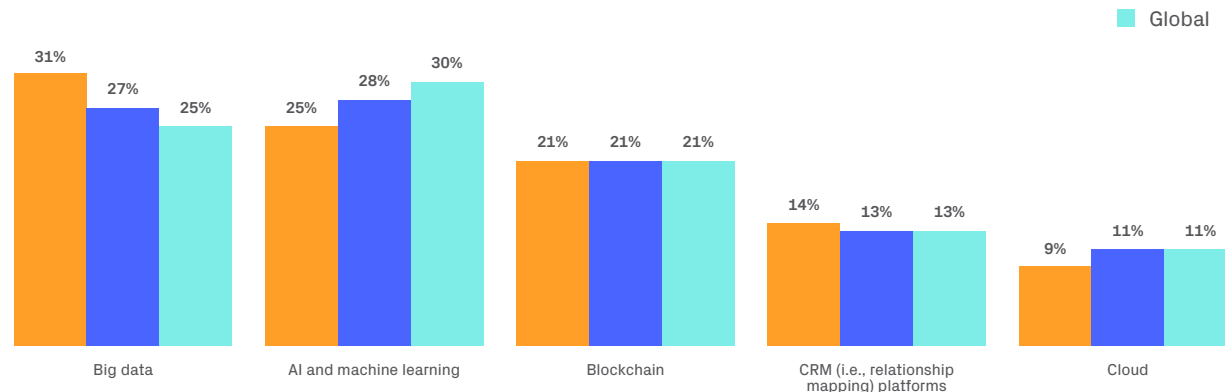


## Big data, AI and ML, and blockchain to enhance M&A processes

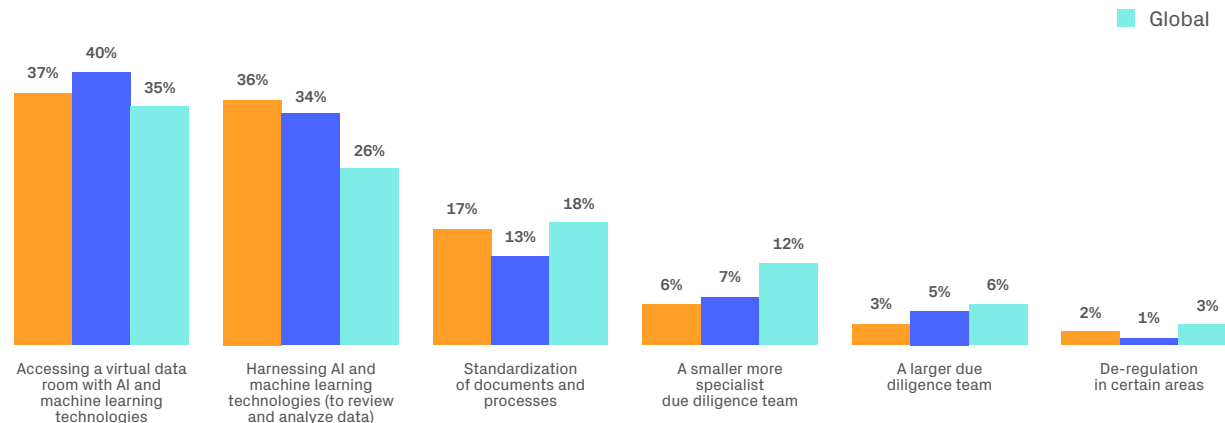
Company culture is a particular issue for Nordic practitioners, too. Technological advances are, however, being made. And over the next five years, most Nordic practitioners, together with their EMEA peers, believe that technologies such as big data, AI and machine learning, and blockchain, could potentially have the most transformational impact on the M&A process, and in specific areas of it.

Most Nordic and EMEA practitioners, for instance, believe due diligence – the most time-consuming phase – could be enhanced most by new technologies and digitization. In fact, most Nordic practitioners expect technology to enable greater analytical capability and security in the diligence process over the next five years. In particular, they are also placing greatest hope in AI and machine learning technologies, especially as part of virtual data rooms, to speed-up the due diligence process. They also see these technologies and others helping to improve data management and communications, scenario analysis, analytics, and reporting.

## Which of the following technologies do you think will have the most transformational impact on the M&A process in the next five years?



## Which of the following would help accelerate the due diligence process the most?

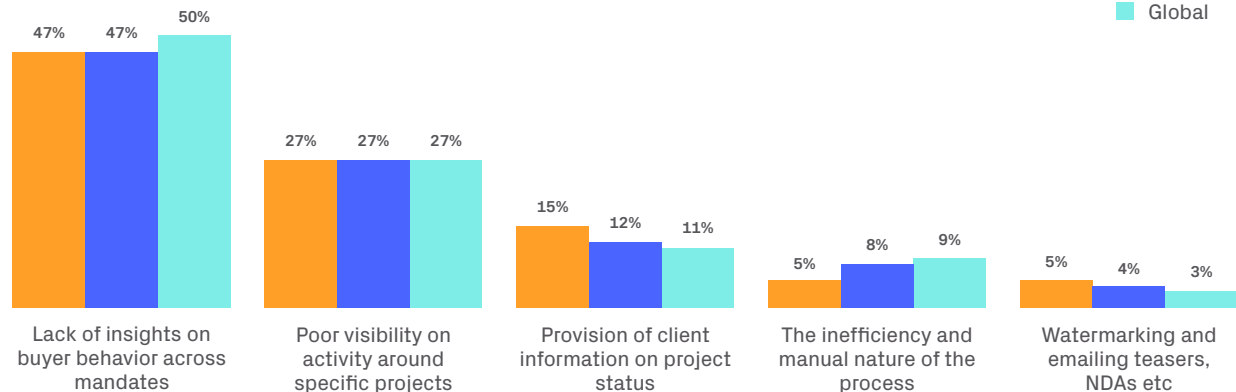


## Technological benefits to and advances in other areas of M&A

What's more, these technologies have similarly beneficial uses in asset marketing, and could help address some of the key challenges in this process, such as a lack of insights on buyer behavior across mandates, according to most Nordic practitioners.

Without doubt there has been some significant technological advances across the M&A process in recent years. But in the next five years and beyond, there is an expectation among Nordic practitioners and their EMEA peers that established and emerging technologies, perhaps built-in to the next generation of virtual data rooms, could transform key areas of the process. They may even transform the M&A process entirely.

### When marketing an asset for sale, what is most challenging?



# 2020 The Current State of M&A in the Nordics

## Maturity and sophistication

92%

of Nordic practitioners assess a medium level of digital maturity and technological sophistication in their company's M&A process. Some 87% of practitioners assess the same level industry-wide.

## Barriers to digitization

56%

of Nordic practitioners say company culture is one of the main barriers to their company adopting M&A process-related digital technologies.

## Enhancing the M&A strategy

26%

of Nordic practitioners believe the M&A strategy could be enhanced by technology and digitization – the highest response percentage for this across EMEA.

## Diligence speed

84%

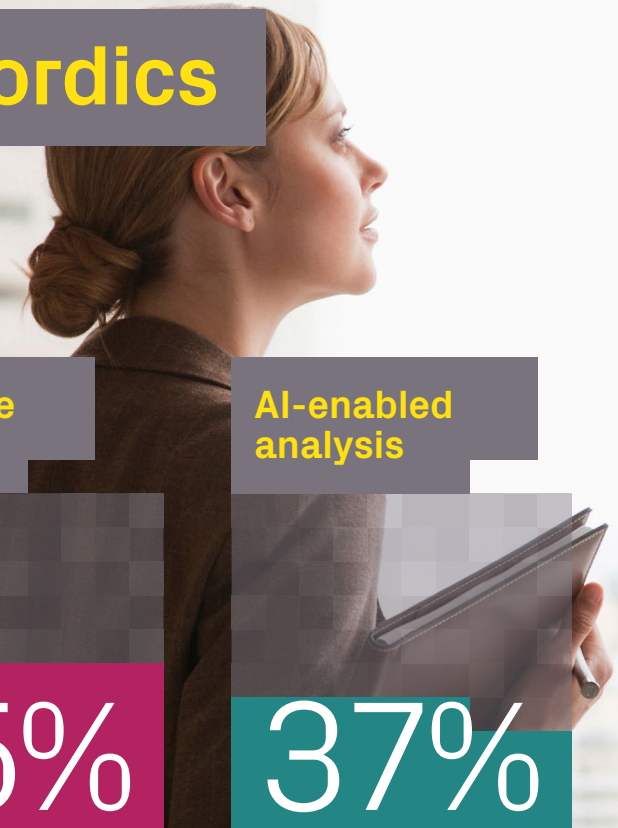
of Nordic practitioners say due diligence takes on average 1-3 months to complete on a successful deal.

## Technology upgrade

32%

of Nordic practitioners say inadequate technology supporting them in their role is the factor that slows the due diligence process the most.

# 2025 The Future State of M&A in the Nordics



## Maturity and sophistication

64%

of Nordic practitioners assess a high level of digital maturity and technological sophistication in their company's M&A process by 2025. Some 56% of practitioners assess the same level industry-wide.

## Transformational tech

31%

of Nordic practitioners expect big data analytics to have the most transformational impact on the M&A process over the next five years.

## Advanced analytics

78%

of Nordic practitioners believe new technologies should enable greater analytical capability in the due diligence process over the next five years.

## Diligence speed

55%

of Nordic practitioners believe due diligence on a successful deal will accelerate to one month or less in five years' time.

## AI-enabled analysis

37%

of Nordic practitioners believe accessing a virtual data room with AI and machine learning technologies would help accelerate due diligence the most.



# Case Study

## Carnegie

### Private equity firms lead digital advance in Nordic M&A

After a year in which M&A activity across the Nordic region was impacted by the pandemic, dealmaking this year is expected to make something of a comeback. Volumes will vary across the five Nordic economies, but on the whole activity is expected to be higher than in 2020, with private equity-led takeovers, particularly in Norway, expected to be one of the more pronounced trends.

This is according to Per Kristian Sørлие, Co-Head of Sponsors, Norway, at Carnegie, the independent Nordic investment bank, who says that even though local company share prices have recovered, he expects to see increased public takeover activity in the country this year.

Two key reasons for this are attractive company valuations and the vast amount of capital private equity firms have ready to be deployed. To some extent this is the same story across the Nordic region. And just as similar has been the universal need for private equity firms, corporates, and their advisors to adapt to different and for some, new, ways of getting deals done in these times.



Carnegie is an independent Nordic investment bank and market leader in the areas of corporate finance, securities, and private banking.



Per Kristian Sørлие  
Co-Head of Sponsors,  
Norway



Kristoffer Thuen  
Co-Head of Financial  
Sponsors, Norway



## Technology as a time saver

However, as much as such innovations have been beneficial, Kristoffer Thuen, Co-Head of Financial Sponsors, Norway, at Carnegie, says they are more likely to serve as a stop-gap rather than become the norm once the pandemic has been declared over.

“Digital transformation has been slower in the M&A market and that’s because it is a people business, involving judgement. It is hard to substitute face-to-face interaction when negotiating a deal,” says Thuen.

Instead, he anticipates that technology will play a more important role in analyzing a target company and in the bid preparation phase.

**“Digging up good data sets and generating consistent high quality data still involves a lot of manual work in a lot of companies and there is great potential for big data to play a role, especially when it comes to analyzing historical earnings,” says Thuen.**

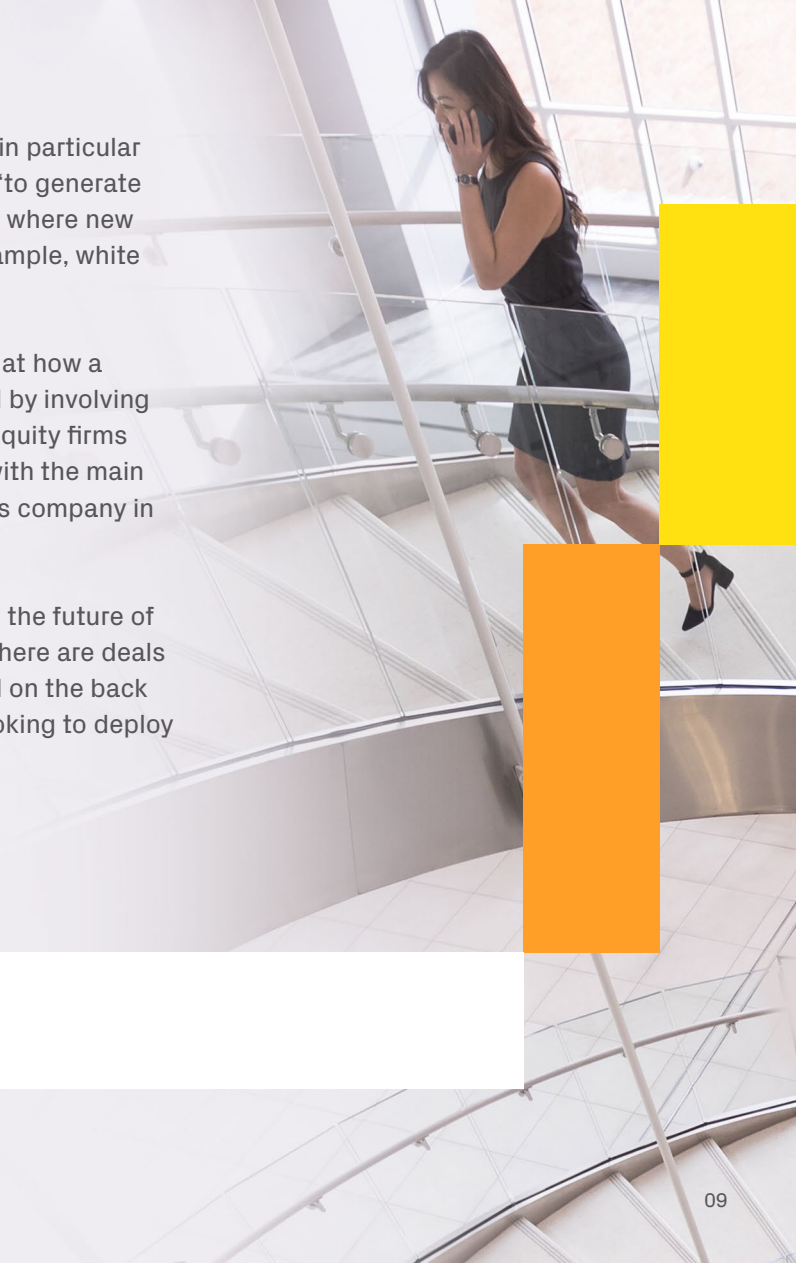
He adds that this process in the deal preparation phase is really time consuming, and that he believes accounting and auditing could be much more automated. “Then the preparation will be much more efficient and more time will be available for value-add analysis,” he says.

## A data evolution and revolution

For Sørli, he points out that private equity firms in particular have already been embracing big data analytics “to generate better visibility on potential earnings or exploring where new revenues could be created in future using, for example, white space analysis driven by big data.”

What’s more, the buyout houses are also looking at how a potential bid target can adapt to the digital world by involving technologists at an early phase. “Larger private equity firms have dedicated people as part of the deal team with the main focus of understanding what they can do with this company in terms of digitalization,” says Sørli.

A big data and AI revolution could come to define the future of sell-side M&A processes, but more immediately there are deals to be done. “There is a lot of capital available and on the back of fewer deals in 2020 private equity firms are looking to deploy capital in the Nordic region in 2021,” says Thuen.



# Case Study

## Nordea

### Undertaking organizational and technological transformation

Over the past decade Nordea, the biggest bank in the Nordics, has been undertaking a transformation to re-focus on its core banking business in the region. Core to this strategy has been M&A, and in the last four years alone the bank has completed more than 25 transactions, some of which were sales to reduce its presence overseas.

It's been a busy period for Hugo Preutz, Group Head of M&A and Investments at Nordea, who, together with his five-strong in-house deal team, has orchestrated the divestment of non-core businesses such as its private bank in Luxembourg to UBS, and the sale of its majority ownership in Luminor Bank in the Baltics to Blackstone, the private equity firm.

At the same time, Nordea has made a string of acquisitions to position for growth in its home markets, ranging from a €5m investment in Swedish 'neobank' Personal Finance Co. to the €600m acquisition of SG Finans from Société Générale, which completed last year.

Given this amount of activity, Preutz is particularly well-placed to provide insight on how the dealmaking process has changed during this time. And for him, it has become more complex, which, in turn, has impacted the length of time it takes to execute.

Nordea is a leading Nordic universal bank and one of the top 10 financial services companies in Europe based on market capitalization.



Hugo Preutz  
Group Head of M&A  
and Investments

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**Nordea**

## Technology key to progressing transactions

“The increase in private equity involvement in the Nordic region means that auctions are highly competitive and feature many more buyers, which increase complexity and deal times,” he says. “We have also seen an increase in carve-outs as private equity and corporate buyers have looked to bypass auctions by buying individual divisions. These factors have undoubtedly increased levels of complexity.”

**In order to navigate this, advisors are important, and there, in areas such as due diligence, Preutz says Nordea operates a semi-outsourced model, bringing in legal, audit, and advisory expertise on a case-by-case basis, while retaining overall oversight of the diligence process.**

Importantly, technology has been a key enabler to progressing transactions, right down to video conferencing platforms, which have been valuable for all sides when working on pan-regional deals and in complex situations with large and cross-functional teams.

In addition, the increased use of virtual data rooms has also brought benefits to the M&A process, cutting down on travel and enabling parties to share information remotely and securely. This has been accompanied by an increase in the number of documents that can be posted and scrutinized, as well as the introduction of more sophisticated analytics.

## Potential to improve the process

However, for all the benefits of a virtual data room, the sheer amount of data being analyzed can act as a drag on the process. What’s more, the rise in use of advanced analytics can also throw up challenges in terms of the integrity and reliability of data, says Preutz. Overall, though, he sees the potential for technology to improve the qualitative side of due diligence, in particular being able to apply the AI tools used by law firms to comb legal documentation for key words to the broader M&A process.

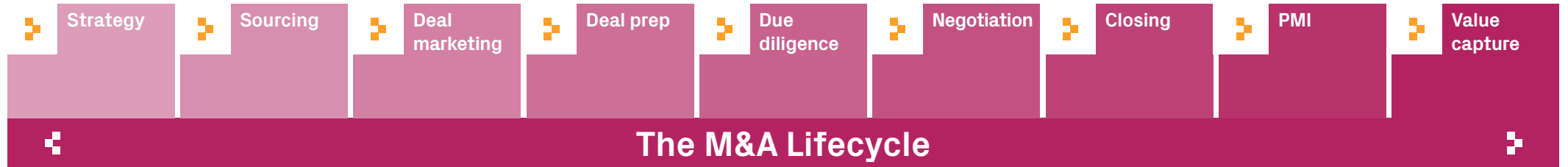
“As M&A becomes more complex and the amount of data increases, there is a need for tools that can scan large volume of documents for outliers, and that would speed up the due diligence process by drawing out the most important issues,” says Preutz.

He also sees scope for automation in sell-side auctions. “Conceptually, there should be the potential in the early phase of sale process to receive non-binding offers through a technology platform that enables the seller to evaluate and compare those initial bids to get early insight around asset valuation. Similar technology and services are being developed for the housing market and could potentially be applied to M&A in the future.”

There is a scarcity of assets in the Nordic region and that can make for a crowded field of bidders. And for a seasoned practitioner like Preutz, technology has an important role to play in making the M&A process more efficient.



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# Research Methodology

## The Nordics

The analysis in this report is based on the survey responses from 103 Nordic M&A practitioners.

These responses formed part of a larger global survey of 2,235 M&A practitioners.

By institution type, respondents were evenly split between companies and private equity firms (51%), representing acquirers; and investment banks, professional services and law firms (49%), representing M&A advisors.

By seniority, board and executive management level executives comprised 19% of respondents, with managing partner, managing director and partner level executives comprising 46%. Director, principal, associate level executives comprised 35%.

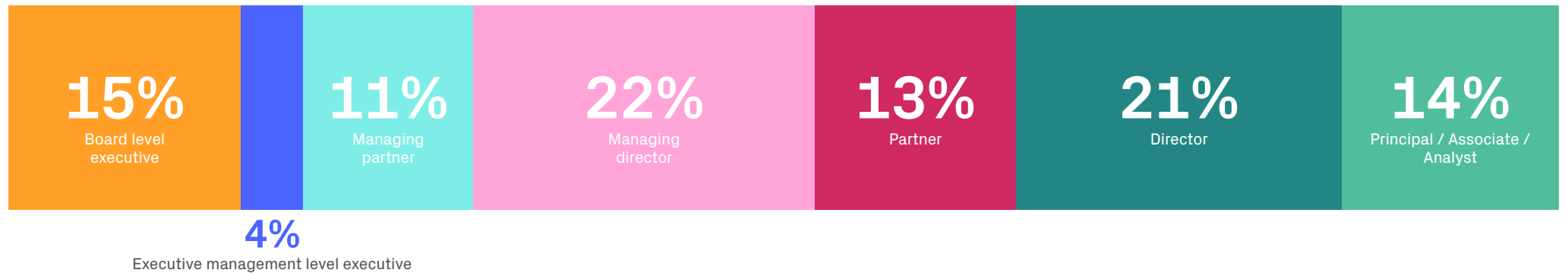
The global survey was conducted by Euromoney Thought Leadership Consulting between February and April 2020.

# Research Demographics

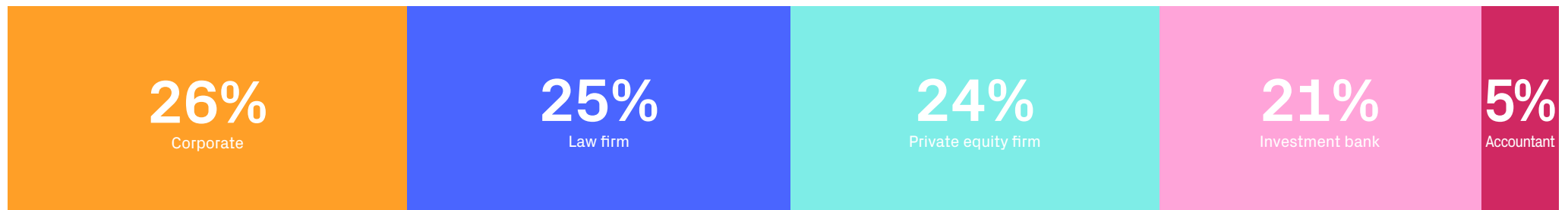
## The Nordics

Percentages in the following charts are rounded to the nearest 1%.

### Which of the following best describes your position?



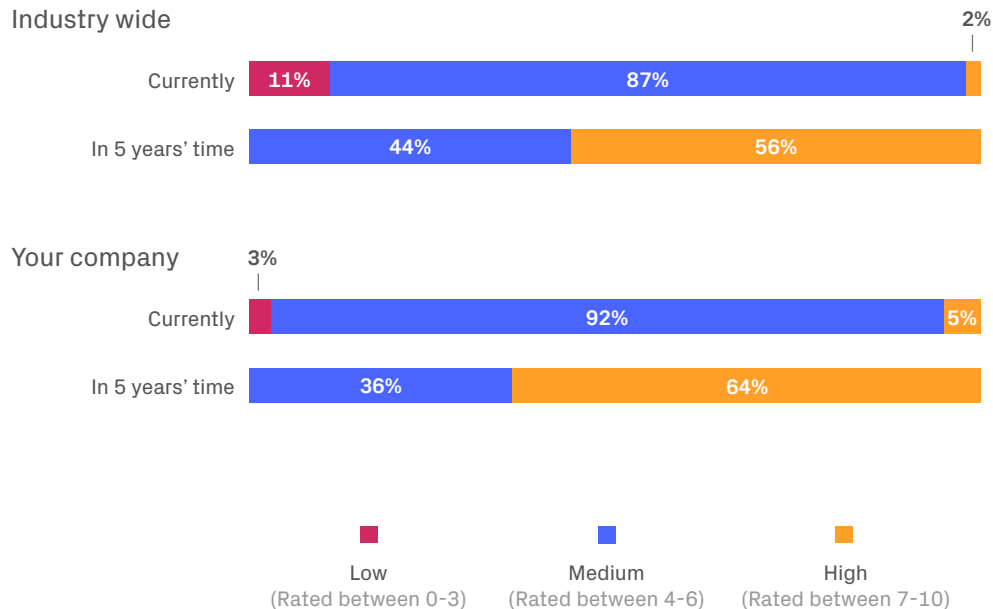
### Company type



# Digitization The Nordics

## What level of digital maturity and technological sophistication would you assign to the M&A process?

On a rating between 0 (Low Level) to 10 (High Level)



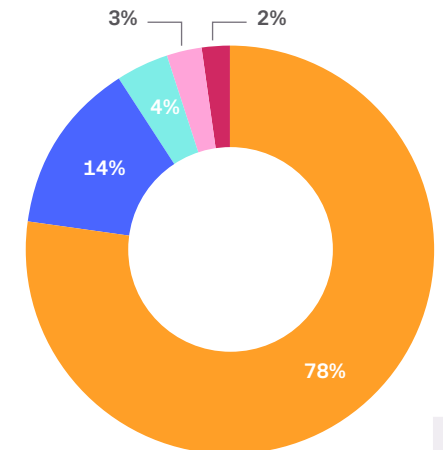
Of these key areas or stages, which do you believe could be enhanced most by new technologies and digitization?



In the context of a M&A transaction, how do you expect technology to change the due diligence process over the next five years (to 2025)?

New technologies should...

- Enable greater analytical capability
- Enable greater security
- Simplify the entire process
- Reduce the total deal (resources and time) cost
- Make it faster to close deals

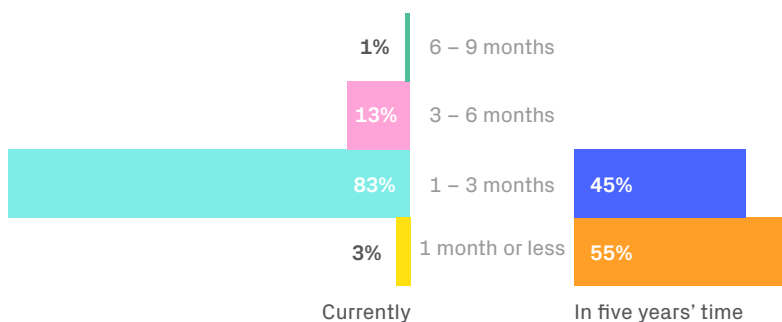




# Due Diligence Process

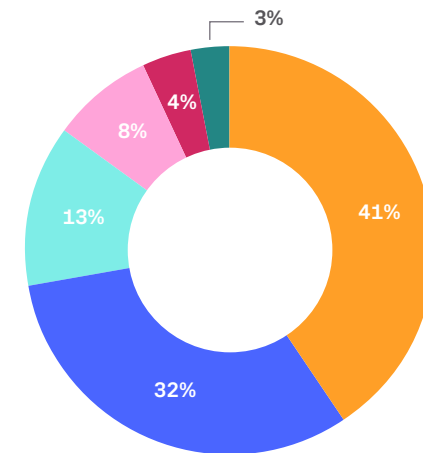
## The Nordics

From sourcing a deal to deal completion, how much time on average does due diligence take on a single successful M&A transaction?

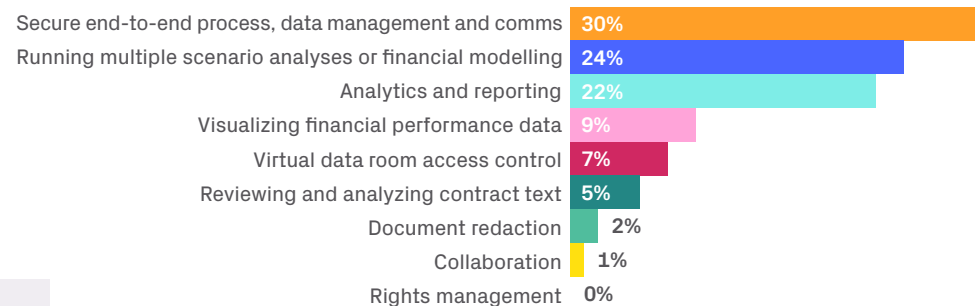


Which of the following factors tends to slow the due diligence process the most?

- Incomplete or inaccurate deal documents and information
- Inadequate technology supporting the process
- Document or contract review and analysis
- Insufficient number of people involved
- Regulatory compliance
- Poor communication between parties
- Too many people involved (No votes)



Which of the following do you believe technology could help improve the most?

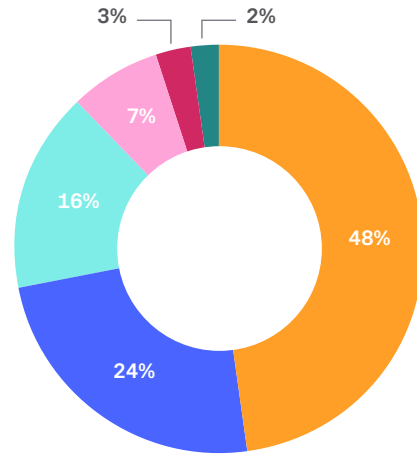


# Due Diligence Concerns

## The Nordics

What is the most common issue uncovered in due diligence that causes the withdrawal from a deal?

- Data or cyber security concerns
- Financial weakness or fragility
- Financial irregularities
- Leadership concerns
- Excessive valuation
- Regulatory non-compliance
- Staff concerns (No votes)



Have you worked on M&A transactions that have not progressed because of concerns about a target company's:

ESG credentials



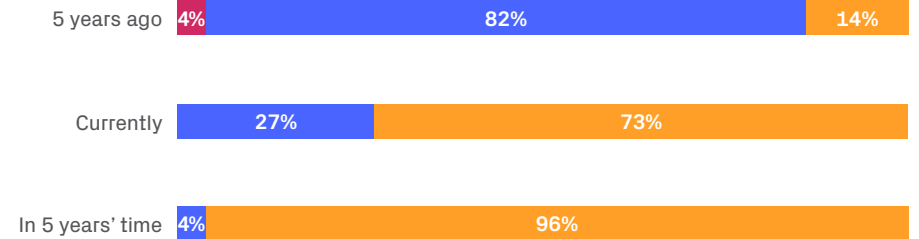
Compliance with data privacy regulations



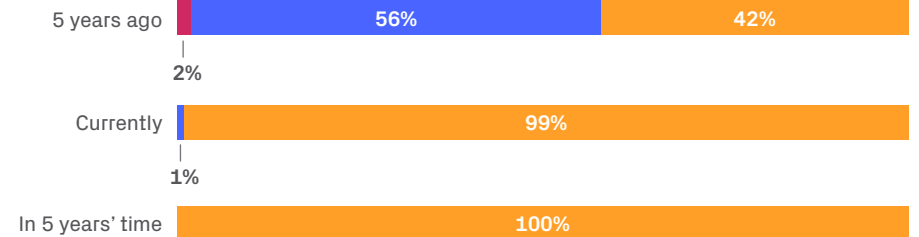
- No
- Yes

As a consideration in M&A due diligence, assess the importance of the following issues:

Environmental, social and governance (ESG)



Data privacy regulation (e.g.: EU's General Data Protection Regulation)

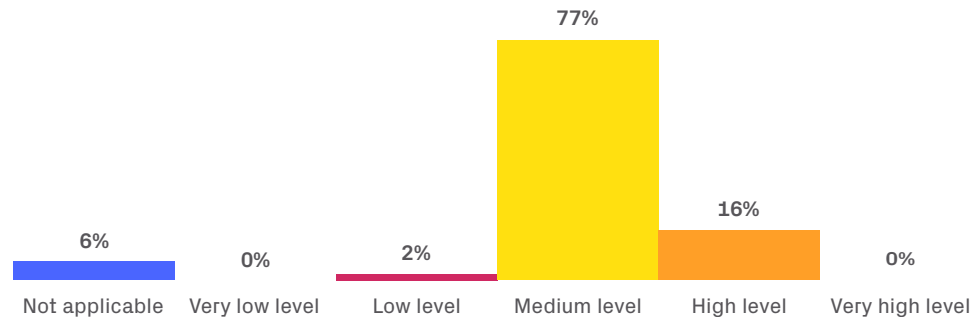


- Slightly important/Not important
- Moderately important
- Very important/Important

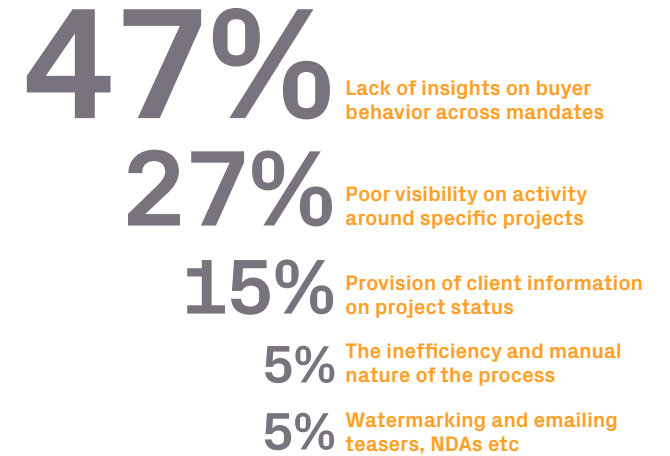
# Asset Marketing and Acquisitions

## The Nordics

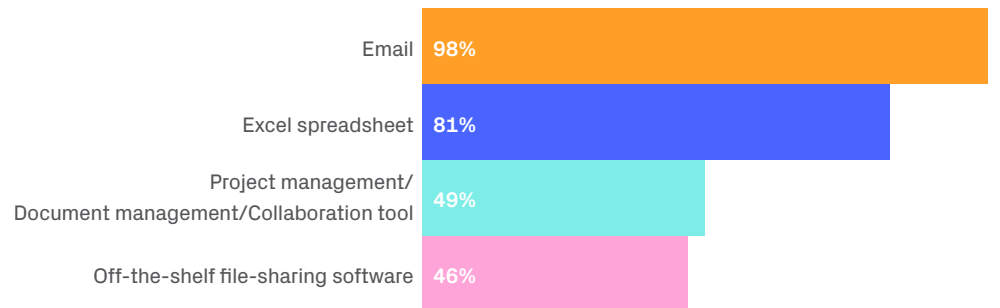
When marketing an asset for sale, how efficient and effective is your company's current process of identifying, marketing to and tracking potential buyers?



When marketing an asset for sale, what is most challenging?



What tools do you use today to execute the workflow of the due diligence process on a potential acquisition target?

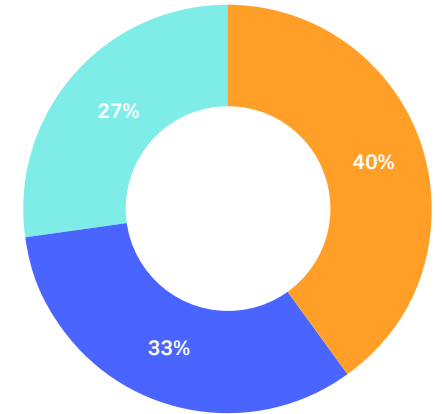


# Restructuring The Nordics

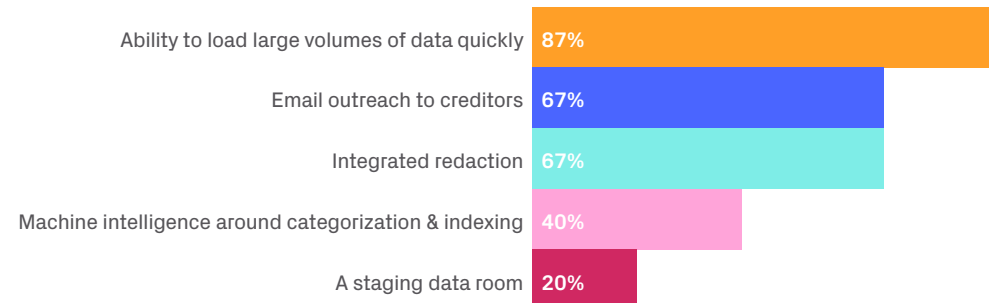


Which type of restructuring will dominate over the next 24 months?

- Debt-financing
- Non-performing loans (NPLs)
- Divestitures and carve-outs
- Bankruptcy (No votes)
- It won't be important (No votes)
- Liquidation (No votes)



What tools are most useful for restructuring?



### About this report

The survey was conducted by Euromoney Thought Leadership Consulting between February and April 2020.

Thought Leadership Consulting specializes in creating original, authoritative and impactful thematic research and content for global business and finance leaders.



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