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Mid-year Update

M&A and IPO trends and insights in Norway

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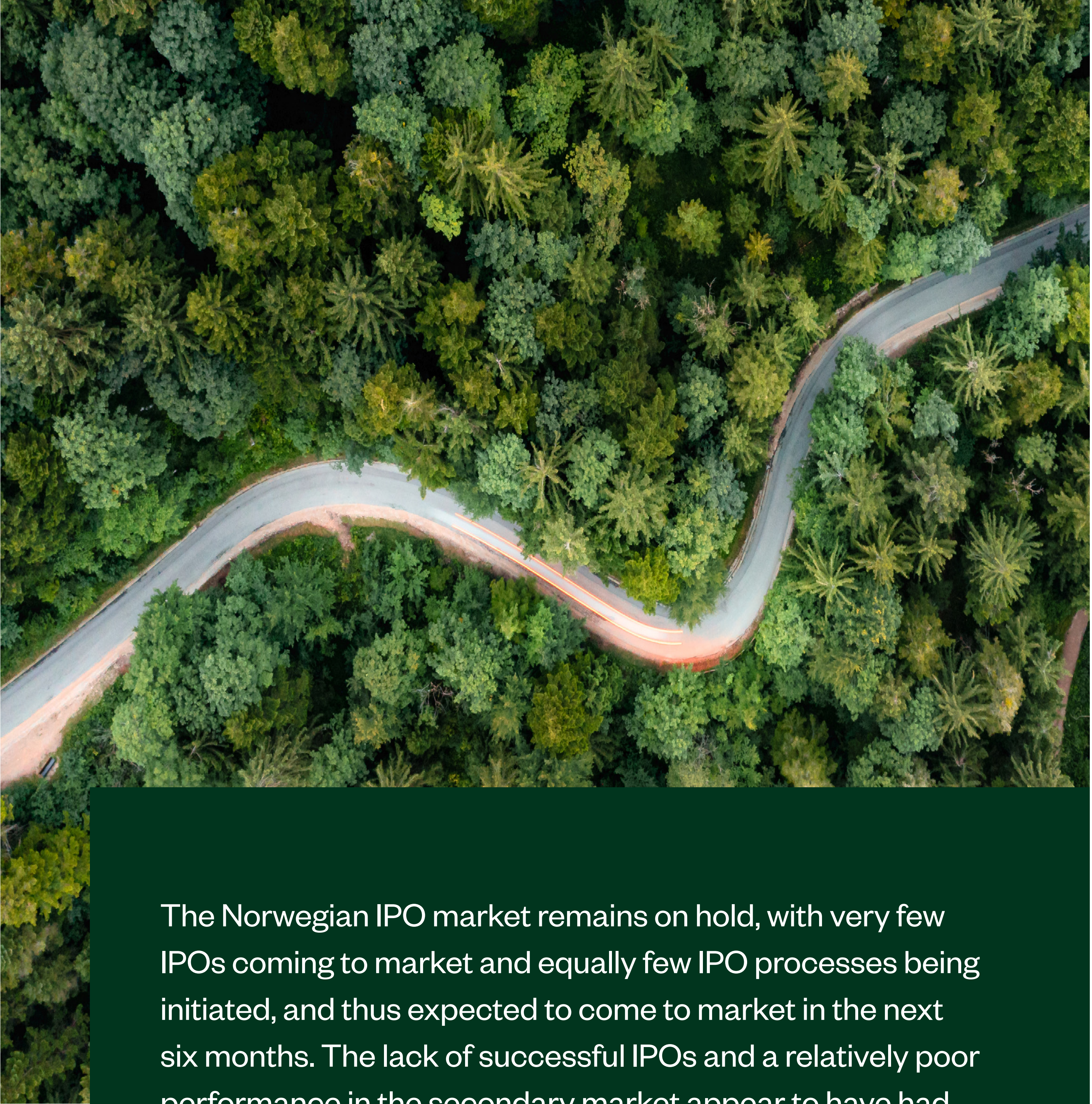
Wiersholm's M&A and IPO trend report

In our latest and 15th edition of the Wiersholm M&A and IPO trend report, we explore the Norwegian transaction landscape and M&A and IPO prospects for the period ahead. The transactional year of 2023 was slow due to uncertainty in many areas , heavily influenced by geopolitical and macroeconomic factors, capital access and valuations.

The first half of 2024 has shown positive trends with an uptick in deal volumes within M&A. The demand side is increasing, with investors jumping off the fence. The supply of companies with high quality assets for sale is increasing. At the same time, price expectations for sellers and buyers appear to be more aligned than in the recent past. Uncertainty will likely continue to dominate the M&A activity levels and may be further fueled by geopolitical instability, results of upcoming elections and continued high inflation and interest levels. We remain optimistic that investors have become accustomed to these uncertainties and that the current positive trend in the M&A levels will continue throughout the remainder of 2024.



The Norwegian IPO market remains on hold, with very few IPOs coming to market and equally few IPO processes being initiated, and thus expected to come to market in the next six months. The lack of successful IPOs and a relatively poor performance in the secondary market appear to have had an adverse effect on anchor investors' appetite for IPOs across Northern Europe. This, combined with upcoming fall elections, is a likely "chill-pill" for owners and issuers planning for IPOs with no hurry to exit. The IPO market is not expected to improve until 2025 (or later).

In brief

- Recovery in deal volumes from second half of 2023, with an 18.9% increase, indicating a more confident M&A market ahead.
- Well-capitalized corporates are seeking strategic transactions but may be muted by high inflation and interest rates.
- Private Equity with deal willingness caused by large dry powder holdings and a large stock of companies ready to exit.
- Structured auctions are dominating the M&A market, which is a shift from the bilateral focus seen in recent years.
- Public takeover activity is stable and is expected to continue at current levels.
- Regulatory complexity has become an increasingly important factor for deal structures and timelines, caused by a combination of new legislative focus and increasing protectionism.
- IPOs are on the low side of numbers in recent periods.
- There is an increasing appetite towards the US, with issuers either adding a US listing to its existing Norwegian listing or moving its Norwegian listing to the US.

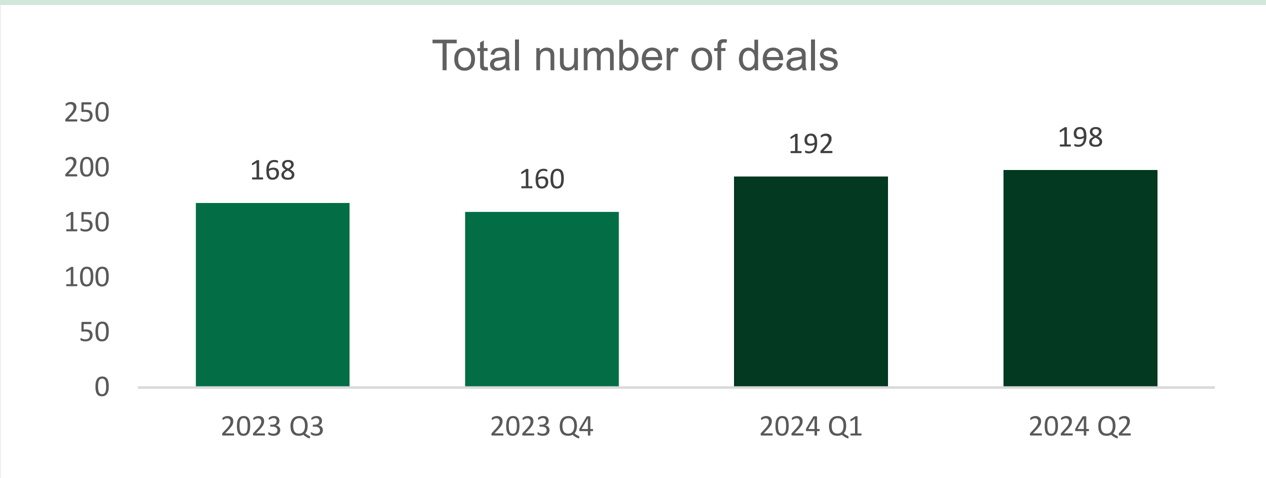
Deal activity

After a significant decrease in deal volume during 2023 compared to the record levels of 2021 and 2022, we have seen a modest recovery in deal volumes in the Norwegian M&A market during H1 2024 compared to that of H2 2023. This is despite a weak Q1 2024 and indicates that the markets are regaining some confidence with inflation levels and interest rates stabilizing.

The market is still characterized by cautiousness and to some degree also hesitation, which often results in temporary halts in ongoing processes. However, transactions previously put on hold are picking up again, and together with new deals entering the market, we see a slight recovery in the M&A market. Price levels have gone through an anticipated alignment phase as many sellers invested on significantly higher valuations due to strong market conditions. Decreased price expectations are another factor that harmonizes better with the buyers' reduced price expectations. Debt financing continues to be available, and is also more utilized, as buyers are getting more accustomed to a higher level of cost of lending.

We have also seen conglomerates or companies with a broad specter of various business activities focusing on internal restructuring and on streamlining their business, putting assets and business areas up for sale and increasing the number of spin-off transactions in order to gain better valuations compared to those of more streamlined industrial companies.

Private equity still has a significant amount of dry powder to be placed in the market, and many industrial companies are well-capitalized and have a lot of available resources to be used for growth and strategic M&A activities. There is also a large number of PE held companies expected to be offered for sale in the near future, as PE funds aim to return capital to their LPs. However, despite continued uncertainties related to certain macroeconomic factors and geopolitical tensions, we still expect cautious optimism and that the slow recovery of M&A activities will continue throughout 2024.



Selected recent deal trends in the Norwegian M&A market

Regulatory risks in dealmaking have increased due to new legislative changes within the EU and Norway, such as the Foreign Direct Investment (FDI) regulations and a higher focus on competition, as regulatory matters are becoming more political with the increasing protectionism. Continued protectionism across the world is increasing the regulatory risks, hence impacting deal certainty, transaction timelines, and costs.

Our experience is that buyers are more cautious and are spending more time and resources on both commercial, financial and legal due diligence, as well as regulatory risk assessments. This is resulting in longer and more complex processes, both during the due diligence process and the negotiations, and sometimes also the overall time to find the right strategic buyer or target.

A recent court decision introduced some uncertainties regarding the validity of veto rights for minority shareholders on the board. While it is common practice to establish certain veto rights for minority shareholders, this recent ruling suggests that additional safeguards may be necessary to ensure that such rights can be effectively enforced.

Public M&A activity starting to pick up

Public takeovers have represented a significant part of the Norwegian M&A activities in recent years. 2024 was off to a quiet start, in particular compared to the second half of 2023. In recent months, public takeover activities have picked up with corporates being the driving forces behind deal activities, pursuing acquisitions to achieve operational synergies, and overshadowing the influence of Private Equity players.

On Oslo Børs, the shipping giant MSC launched a cash offer in April for Gram Car Carriers ASA, welcomed by the shareholders and quickly reaching the 90% minimum acceptance rate - underpinned by the announced EU tariffs on Chinese EVs. In health-tech, the Danish technology group EG announced its intentions to acquire Carasent ASA after initially being denied due diligence access. While it was announced that discussions had subsequently been initiated, an offer or other update remains to be announced. During the second quarter, the Adevinta takeover was completed, commencing its private journey with Permira, Blackstone and Schibsted as main shareholders.

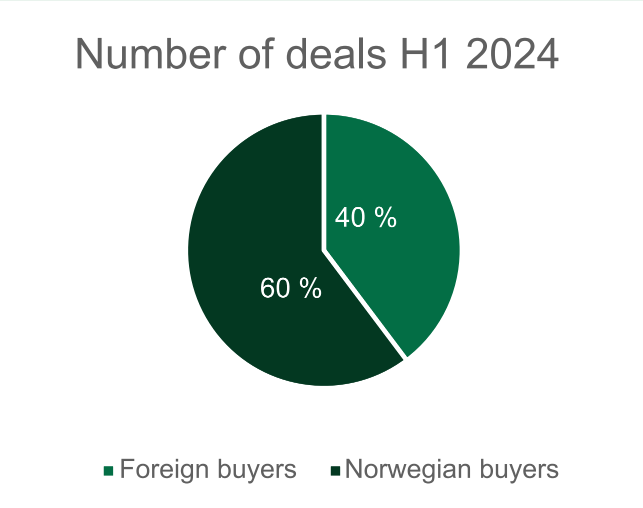
On Euronext Growth, the Swedish construction company Qben Infra AB (fromer Kvalitetsbygg AB) launched a share exchange offer to the shareholders of the Norwegian infrastructure investor Inin Group AS, subject to Qben being approved for listing on Nasdaq Stockholm's First North Premier market. Furthermore, the heating storage company Kyoto Group AS announced an agreement with the Danish energy infrastructure fund Glentra for a direct cash injection and subsequent cash offer, with reinvestments from largest shareholders.

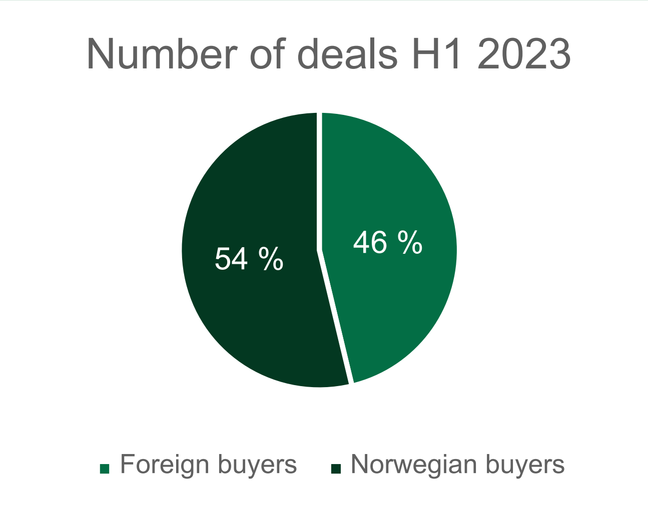
Looking ahead, several public companies across various sectors have publicly announced strategic reviews, signaling an interest in incoming bids. In addition, the NOK is still weak, which has historically attracted international investors looking to acquire Norwegian companies. One potentially cooling factor is the shareholders' valuation expectations, in particular for those companies that went public at high valuations in 2020-2021. However, most of these companies are listed on Euronext Growth Oslo, where liquidity and valuations have been low for some time, which may increase the shareholders' motivation to exit. Consequently, we project that public takeovers will contribute to a significant part of deal values in Norway for the second half of 2024, with a continued interest in activity from industrials, while also seeing Private Equity generate deal activity, either acting independently or continuing the trend of forming consortiums with industrial companies.

Target	Market	Voluntary/ mandatory	Announce-ment date	Offeror	Sector	Value
Northern Ocean Ltd.	Oslo Børs	Mandatory offer	20 June 24	Hemen Holding Limited	Oil and gas	(Pending launch)
Kyoto Group AS	Euronext Growth	Voluntary offer	14 June 24	GF I Kiln HoldCo AS acquisition vehicle of Glentra Fund I K/S	Technology (energy)	NOK 455 million
Gram Car Carriers ASA	Oslo Børs	Voluntary offer	24 April 24	SAS Shipping Agencies Services Sàrl, investment company of Mediterranean Shipping Company Sàrl (MSC)	Shipping	NOK 7,643 million
Inin Group AS	Euronext Growth	Voluntary offer	8 April 24	Qben Infra AB	Industrial (Electronical equipment)	NOK 889 - 1,136 million

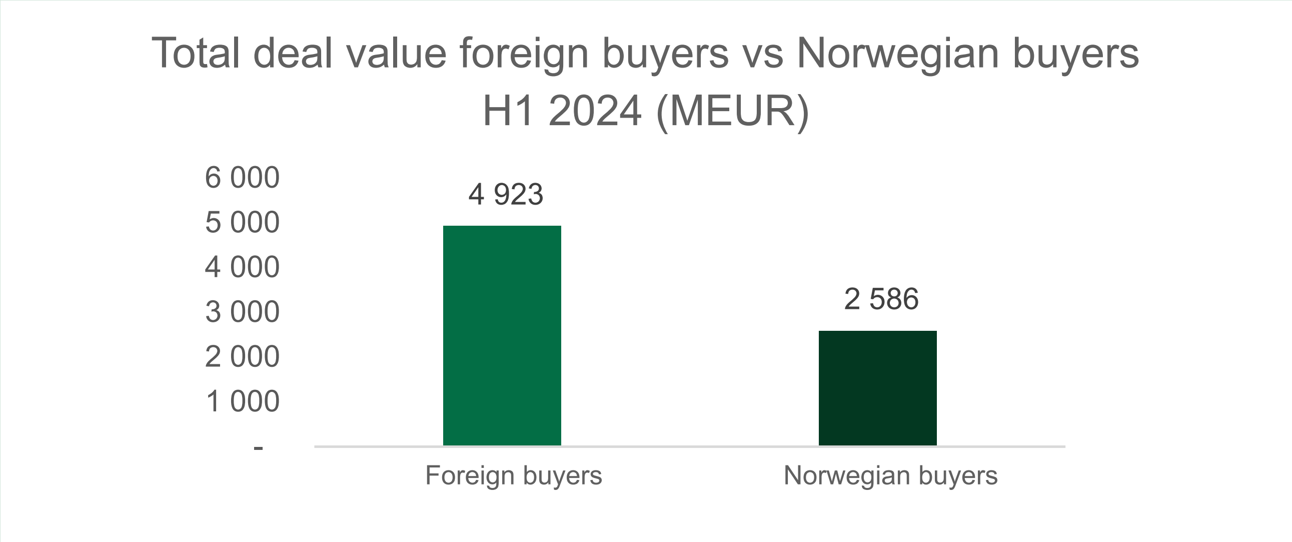
Cross border activity

Foreign acquirers accounted for 40% of the total number of deals during H1 2024, compared to 46% during H1 2023. The modest decrease in foreign acquisitions in Norway, despite the weak Norwegian krone, is likely a random variation between quarters. However, it is tempting to speculate that the current government's recent tax regime and tone towards businesses may also be contributing factors.



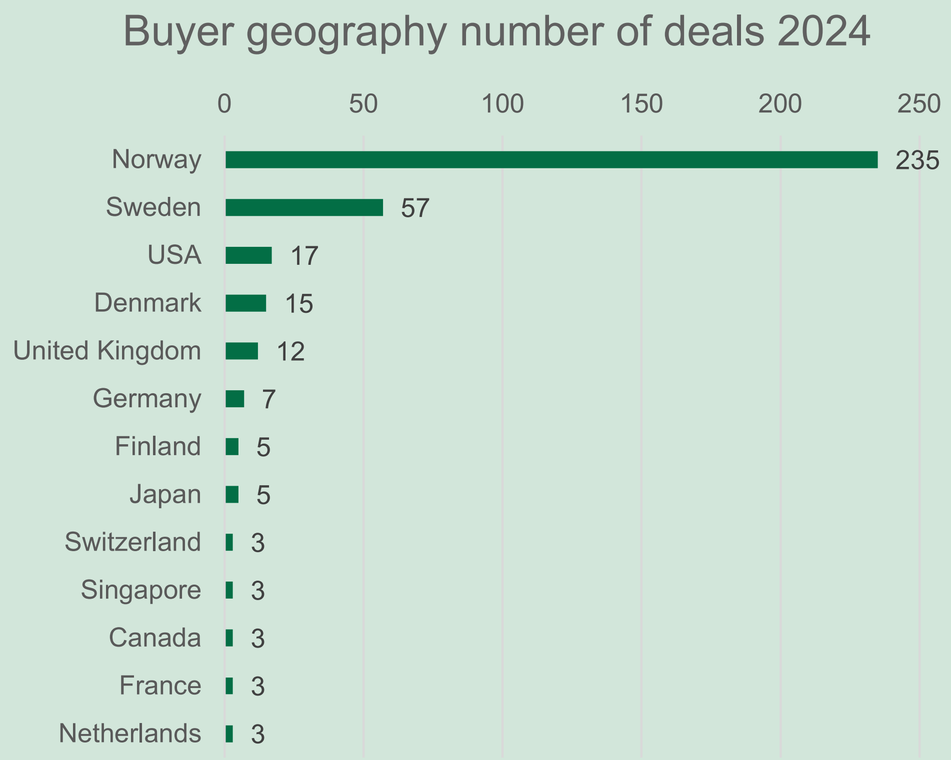


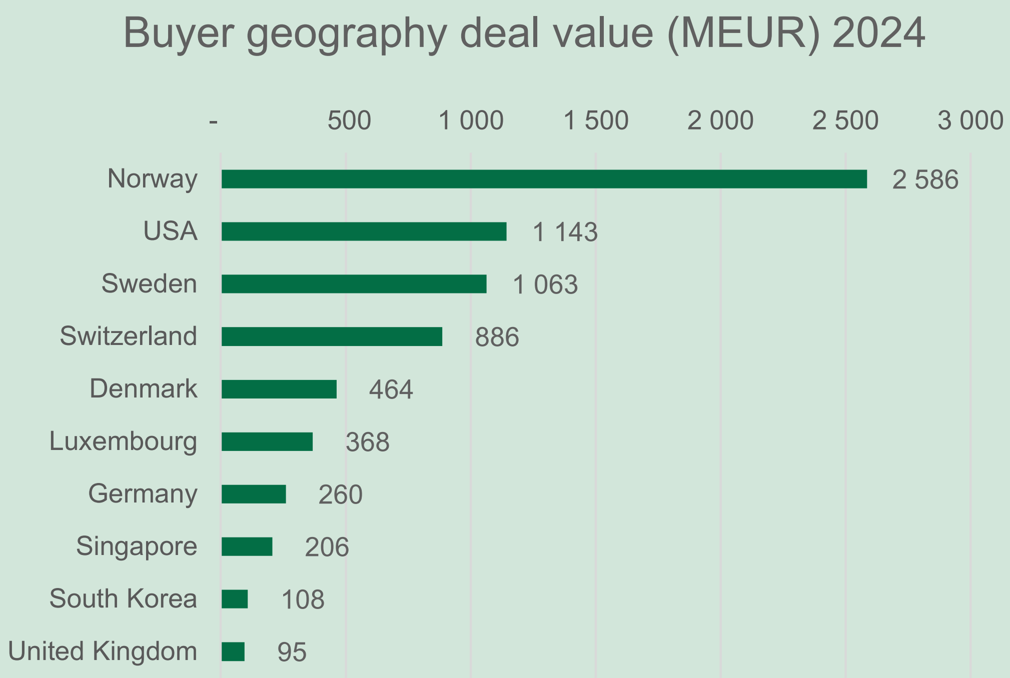
Although there were fewer foreign deals in H1 2024, the cumulative value of transactions from foreign buyers surpassed the total deal value of transactions from Norwegian buyers by a significant amount. Norwegian buyers accounted for EUR 2.586bn in deal value during H1 2024.



Sweden (57) and the US (17) retain their positions as Norway's strongest investment partners for overseas investments into Norway, followed by Denmark (15) and the UK (12). Going forward, and as we see significantly higher valuations of US companies compared to EU companies based on multiple valuations, this might trigger a larger interest in EU targets and increase cross border activity/interest from US buyers.

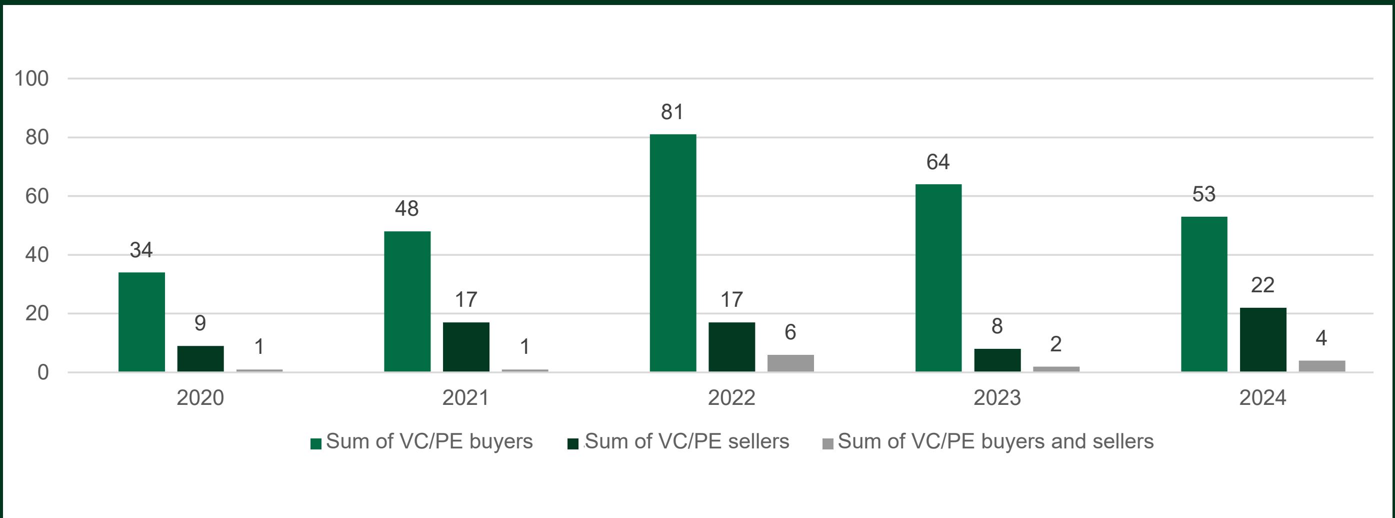
Buyer geography top 10





Private Equity / Venture Capital

Private equity related transactions accounted for 18% of the total number of Norwegian deals in the first half of 2024, of which technology had the largest representation with 35% of the deals (24 deals).



It is expected that PE firms will experience pressure to return distributions to paid in capital, as the current owning time has already been exceeded and extended and exits have been postponed. This is believed to trigger higher deal activity going forward. In addition, the PE firms have significant amounts of dry powder available from funds raised over the last couple of years that will need to be employed, and due to the low deal activity in 2022-2023, a backlog has built up so that capital now needs to be employed in order to generate returns for the investors.

PE players seem to focus on smaller deals made through existing platform investments with add-on acquisitions rather than new platform investments.

We see an increase in the number of minority investments and part exits where PE firms co-invest with other PE firms, industrials and strategic players, managements or founders. Deal structures and financing trends are also becoming more creative in order to close deals by way of minority stake sales and earn-outs.

Well-capitalized strategic buyers are expected to be attractive buyers for attractive PE-owned assets and businesses.

Although we see more auction processes than during the previous quarters, flexibility continues to be key both in managed auction processes and in the many one-to-one processes. This gives the seller more flexibility to stop the transaction without the whole market knowing that the business is for sale, which gives flexibility to continue the process with a different buyer at a later stage without losing negotiation power.

Regulatory risks also impact the PE market. Especially FDI filings have proven to be burdensome for PE firms, as they might lead to investigations of limited partners in the PE structures, requiring information that the PE firms are reluctant to share, which again might lead to transactions being dropped due to the burdensome nature of the FDI processes.

Sectors 1H 2024

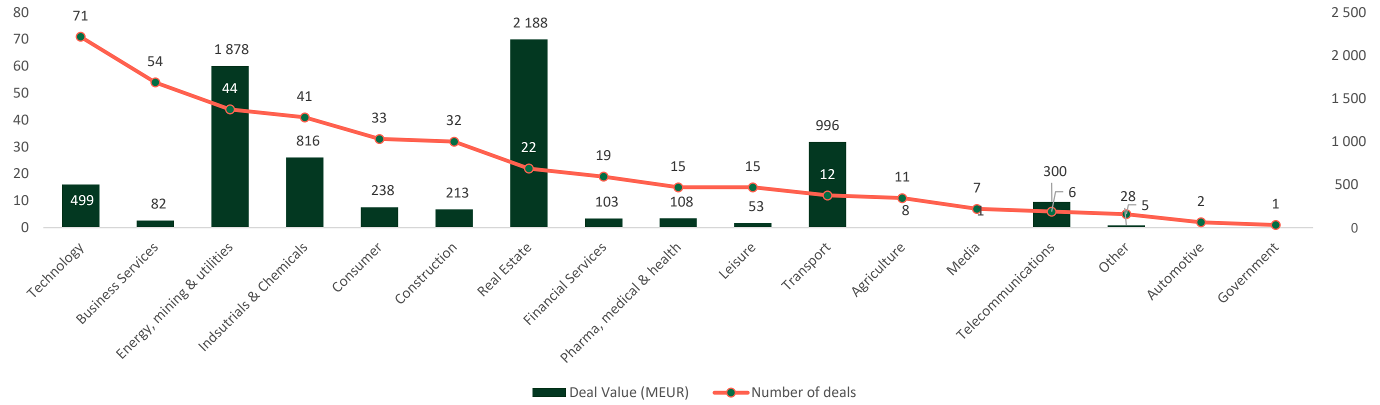
Real Estate rebound, followed by energy and transport sectors

In number of deals, the technology sector was the most active sector during the first half of 2024, with 71 deals out of a total of 390 registered deals. In terms of deal value, Real Estate was the most dominant sector in H1 2024 with a total deal value of EUR 2.188bn, followed by energy mining & utilities with a total deal value of EUR 1.878bn and transport with EUR 996 million. Even though the Norwegian technology sector accounted for the largest number of deals, the deals within the sector only amounted to EUR 499 million of the total deal value.

After an almost full stop of real estate transactions in 2022 and 2023, we have begun to see an increase in activity and optimism in this sector. However, the sector still has a way to go to regain previous activity levels, and the reason for Real Estate being the most dominant sector during H1 2024, with 5 of the 10 largest deals being related to Real Estate, is as much a result of the lack of large deals in other sectors.

Energy, mining & utilities continues to be a dominant sector, and shipping has re-entered the top 10 list for the largest deals, boasting the highest single transaction value registered in H1 2024.

Industries number of deals and deal value 2024



Target	Sector	Bidder Company	Deal Value (MEUR)
Gram Car Carriers ASA (100% Stake)	Shipping	Mediterranean Shipping Co SA - MSC; SAS Shipping Agencies Services Sarl	886
KMC Properties ASA (100% Stake)	Real Estate	Logistea AB	696
Property Portfolio (Trondheim portfolio containing 13 office properties) (100% Stake)	Real Estate	E C Dahls Eiendom AS	564
Power Station (197 MW Guleslettene wind power plant and 168 MW Tellenes wind power plant) (100% Stake)	Energy, mining & utilities	Eviny Fornybar AS	538
Aker Carbon Capture Holding AS (80% Stake)	Indsutrials & Chemicals	Schlumberger Ltd	470
Siem Offshore Inc (9 Vessels) (100% Stake)	Energy, mining & utilities	Siem Sustainable Energy Sarl	368
Bulk Infrastructure ASA	Real Estate	BentallGreenOak	350
Var Energi ASA (4.34% Stake)	Energy, mining & utilities	Market Purchase	329
Wilog Holding AS (49% Stake)	Real Estate	NREP A/S	263
Property Portfolio (Stortorvet 7) (100% Stake)	Real Estate	KLP	218
FINN.no AS (9.99% Stake)	Telecommunications	Schibsted ASA	212

IPO market continues in slow pace

After a quiet first quarter with no new listings on Euronext Oslo Børs' marketplaces, IPO activity had a modest uptick in the second quarter of 2024. During H1 2024, one IPO and three additional listings were made on the Euronext Oslo Børs markeplaces. There were signs of optimism and anticipation that the long list of IPOs on hold might finally come to market. That mood quickly shifted when the Jordanes IPO was pulled after the bookbuilding.

We saw similar numbers on Euronext Growth Oslo, with three companies admitted to trading in H1 2024. Only one of the new listings on Euronext Oslo Børs in H1 2024 was an uplisting from Euronext Growth Oslo, which is fewer than we have seen in recent years. We therefore expect to see more companies uplisting from Euronext Growth Oslo to Euronext Oslo Børs in 2024.

During H1 2024, companies from a range of sectors were listed on Euronext Oslo Børs' marketplaces. The IPO of Public Property Invest ASA in April 2024 was a notable event, marking the first real estate IPO in several years. Further, three of the newly listed companies operate within the oil & gas sector, a traditionally strong industry in Norway. This trend underscores the focus on traditional industries that began in 2022 and that has continued into 2024. It is worth noting that while two of the companies listed in H1 2024 operate within renewable energy, these companies were spin-offs from already listed companies rather than new, and not IPOs.

A trend observed in H1 2024 is that three of the companies listed on Euronext Oslo Børs are spin-offs from already listed companies. Public Property Invest ASA comprises parts of SBB's Norwegian property portfolio, which it acquired from SBB in connection with its IPO. Further, Hermana Holding ASA is a spin-off from Magnora ASA's legacy business, while Cavendish Hydrogen ASA is a spin-off from Nel ASA's fueling division.

We also observed the emergence of a new trend, with companies moving their listing to the US or adding a US listing to their current listing on Euronext Oslo Børs. Both BW LPG Limited and Hafnia Limited completed such dual listings in H1 2024. It will be interesting to see if these trends of spin-offs and dual listings will continue into H2 2024.

Corporate Team

Wiersholm boasts one of the most extensive M&A teams in Norway and the Nordics, comprising over 90 distinguished lawyers renowned for providing top-tier advice.

Our firm consistently achieves high rankings in Mergermarket's M&A league tables, securing the #1 position in Norway and/or the Nordics multiple times. Additionally, the team receives outstanding evaluations across all major law firm surveys, including Band 1 by Chambers Europe, Tier 1 by The Legal 500, and Tier 1 by IFLR1000.

Nordic Buy Out Forum

2024

We hope to see you all again for the 14th Nordic Buy Out Forum on **December 5**, 2024!

Sign up today at NBOF.no

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