

M&A Attractiveness Index—Sweden

Developed in association with the M&A Research Centre at Cass Business School

According to the M&A Attractiveness Index, developed by the M&A Research Centre at Cass Business School, Sweden is now ranked 19th out of a total of 147 countries in terms of its attractiveness for M&A purposes, (i.e., its ability to attract and sustain business activity).

Over the six-year period, apart from 2013, Sweden has been consistently ranked amongst the top 20 countries in the world for M&A attractiveness. Sweden achieved its highest position of 12th in 2011, and this can be tracked back to improving economic and financial factors.

Market challenges

Over the lifetime of the Index data, Sweden has seen a consistent decrease within the socioeconomic factors. These factors look at a country's population size as well as population demographics (i.e. those people aged between 15 and 64). Sweden has been falling in both of these measurements.

Market strengths

Sweden's real strengths are in the area of technological factors (which include high-technology exports, innovation and internet users per 100 people). These statistics have grown to a very, very high level (90 percent overall), with the percentage of Internet users in Sweden being close to 100 percent. ■

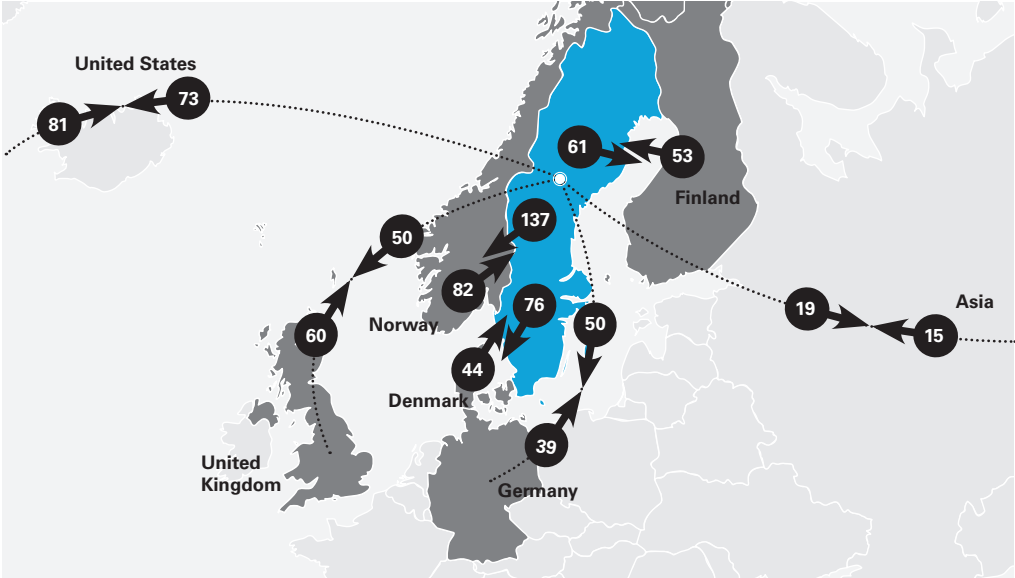


Over the six-year period, Sweden has oscillated between rankings in the early twenties to a highest rank in 2011 of 12th place

Ranked 19th out of 147 countries

Inbound and outbound investment flows in Sweden*

* Number of deals 2012 – 2014



Source: Thomson Financial

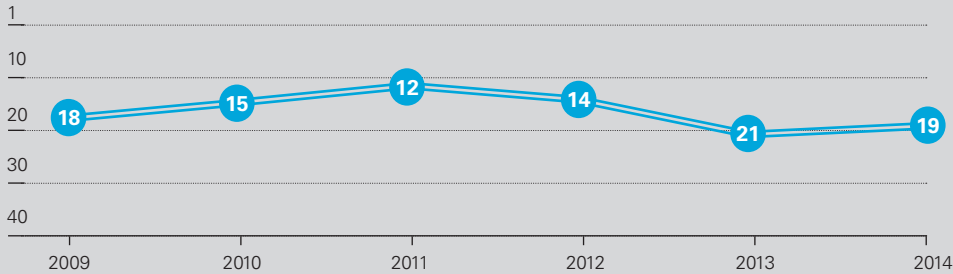
Sweden consistently does the most business (both inbound and outbound M&A) with its neighbours Norway, Finland and Denmark, as well as with the United States and the United Kingdom.

In terms of its neighbouring countries, the targets sectors are building, construction and engineering, electronics, machinery and other industrials. In the United Kingdom, Sweden is buying up industrials, software and professional services companies, whilst the United Kingdom is buying Swedish building/ construction and pharmaceutical companies.

In the United States, Sweden is predominantly buying software, machinery and pharmaceutical companies. As supported by the technology strength in the Index, the United States has a heavy bias toward investing in Swedish software, IT consulting and internet software and services companies.

In terms of Asia, Asia is interested in Swedish software and automobiles and components companies, whereas Sweden is interested in Asian professional services and other industrials. ■

Attractiveness ranking for M&A purposes—Sweden



Source: M&A Attractiveness Index, Cass

Surpassed only by Norway among the Nordics, and with approximately US\$17 billion in deal value last year, Sweden saw a large proportion of its publicly traded firms joining the M&A fray, emboldened somewhat by strong valuations.

To a certain extent, Sweden's stable position on the Attractiveness Index is to be expected. It weathered the financial crisis better than most, and its government emphasizes stability through its monetary and tax policies. Negative

interest rates dampen activity in unduly risky ventures, while the expansionary effect of cheap money persists. That real estate leads the sectors for deal value is a consequence of Swedish house prices, the growth in which has even outstripped that of Britain since the mid-nineties.

Though Sweden may be down from a peak of 12th place in 2011, we submit that deal activity in countries more badly hit by the crisis has recovered to previous levels, and a return to the high teens is less a pertinent recent

trend and more a move closer to long-term equilibrium.

Given its magnitude, we mention 2014's acquisition of a further stake in automotive manufacturer Scania by Volkswagen, reinforcing its majority ownership with a US\$9 billion investment.

While we are not convinced that socioeconomic factors present any secular roadblock to M&A activity for a country this educated and financially savvy, challenges posed by high income taxes and stringent employment

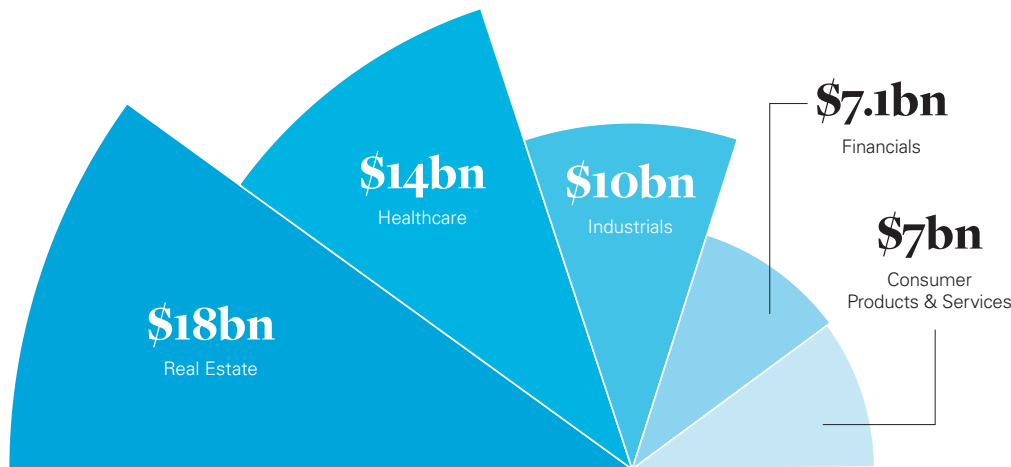
laws are present, but may have more of a bearing on micro- and macroeconomic considerations than M&A activity per se.

The year closed with the financial regulatory authority, Finansinspektionen, proclaiming the financial system's stability to be at acceptable levels, an evaluation apparently borne out by Sweden's position of 19 on the Attractiveness Index, up two points from the previous year. As is the case with its neighbours, the strongest headwind is from eurozone weakness. ■



Top five active sectors by ranking value of deals* across Sweden

*2009 – 2014
Deal values shown below in US\$



Source: M&A Attractiveness Index, Cass

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