

# M&A Attractiveness Index—Finland

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, Finland is now ranked 25th 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 past six years of the Index, Finland has been oscillating between ranking in the mid-teens to mid-twenties, virtually every other year. Between 2013 and 2014, it saw its most dramatic fall, from 16th to its current ranking of 25th.

### Market challenges

Finland has consistently scored poorly in the socioeconomic factors, which look at population size and population

demographics. This is a familiar story in the Nordic region and follows the Swedish pattern.

Finland has traditionally scored quite highly in the technology factors (which look at high-technology exports, innovation and internet usage, but, again these scores have been falling over the six-year period.

### Market strengths

The regulatory and political factors (which include scores for rule of law, paying taxes, political stability and sovereign debt rating) are stable in Finland. Finland scores particularly highly due to its efficiencies when dealing with completing formalities, trading across borders and registering property ownership. ■

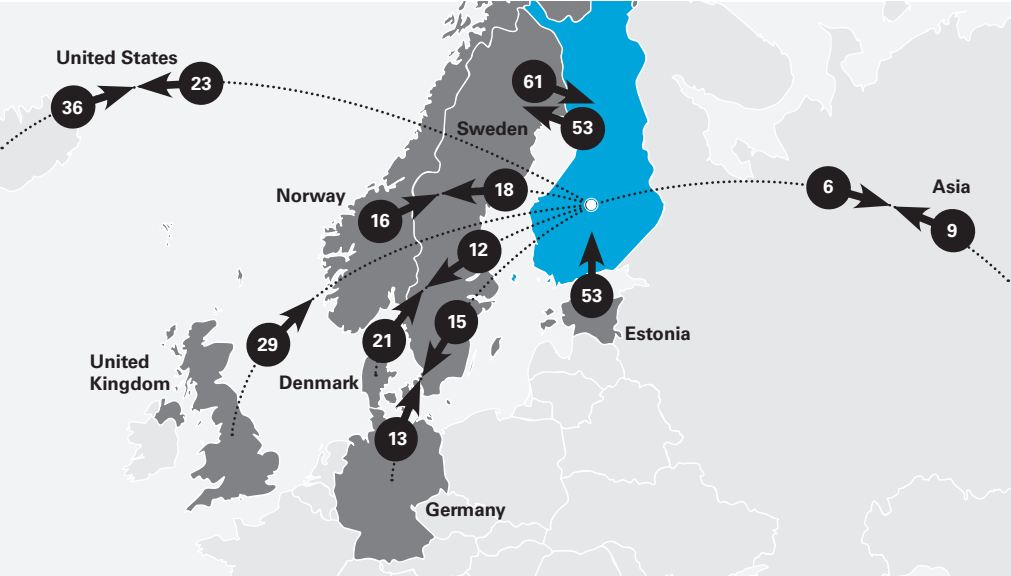


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### Inbound and outbound investment flows in Finland\*

\* Number of deals 2012 – 2014



Source: Thomson Financial

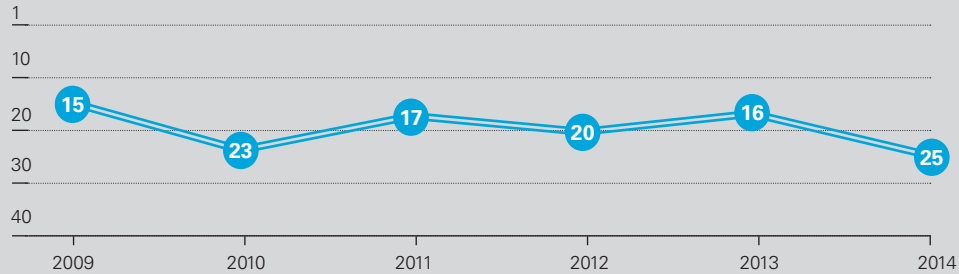
### Mirroring its Swedish neighbour, Finland also does most of its M&A business within the Nordic region.

Again, the main sector bias is towards the building, construction and engineering, electronics, machinery and other industrials sectors. In terms of those investing into Finnish companies, the United Kingdom and Germany closely follow the Nordic countries, mainly within machinery, real estate, software, metals and mining, transportation and infrastructure sectors.

In terms of the United States inbound and outbound M&A activity, US companies interested in Finnish software companies, with other industrials and professional services the next highest sectors of interest. Finnish companies, on the other hand, are investing into United States machinery, building and construction and professional services companies.

There is very little M&A activity between Finland and Asia. ■

### Attractiveness ranking for M&A purposes—Finland



Source: M&A Attractiveness Index, Cass

**It is difficult to be particularly sanguine about the M&A landscape in Finland, even with its position on the Attractiveness Index between the mid-teens and mid-twenties.**

Admittedly, forecast sluggishness in the country's capital markets may provide the fodder for strategic takeovers and acquiring competitors on the cheap, but fearing Finland's structural challenges may impinge badly on the wider economy for the medium term, we highlight

the importance of a robust economy underpinning a healthy M&A market in the long term.

A recovery is not so evidently on the cards, however. Finland is entering its fourth year of recession and, seven years on, output levels are still below those of 2008. Total deal value in 2014 fell by 23.1 percent year-on-year to approximately US\$15 billion, with industrials (including chemicals) and financial services making up the bulk. Debt levels are approaching the EU limit, and depending where you fall on the

political spectrum, you may see the country's 44 percent tax rate as hampering investment and job creation on a long-term basis. Indeed, the prime minister has warned of an entire decade of complete economic stagnation. The most recent central bank forecast puts average growth at one percent from now until 2030.

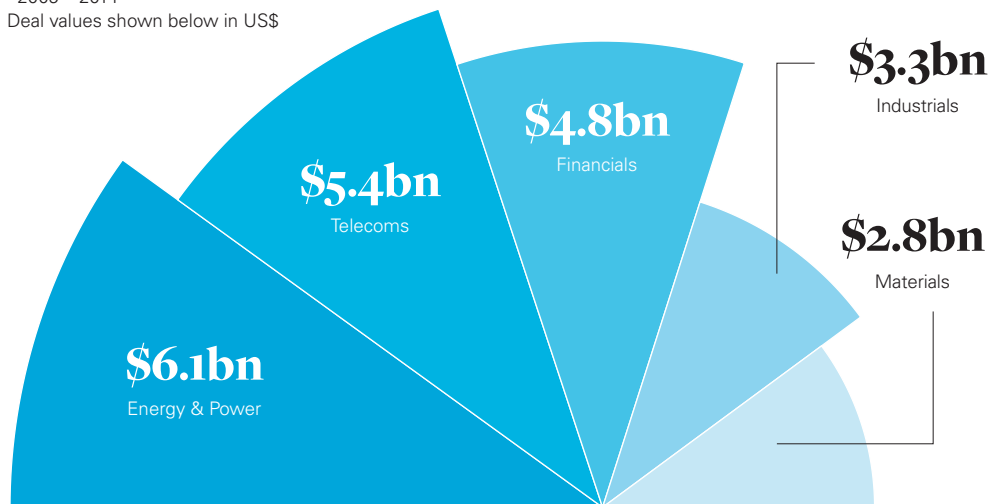
Is it all doom and gloom, you may ask? Well, no. The country has the wherewithal to get itself out of the doldrums: Its populace is educated, commerce is conducted fairly and in

observance of business and contract law, and the country has shown itself to be a leader on the business stage before (consider the oft-invoked Nokia). Should the required reforms be implemented, and that with a dose of the hard graft that certain Finnish politicians have insisted on for strugglers like Greece, it is not unreasonable to expect a rebound to its 2009 position on the Index, but this will not come soon. ■



**Top five active sectors by ranking value of deals\* across Finland**

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



Source: M&A Attractiveness Index, Cass

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