MERGER AND ACQUISITION TRENDS

OUTCOME OF 2019 AND OUTLOOK FOR 2020

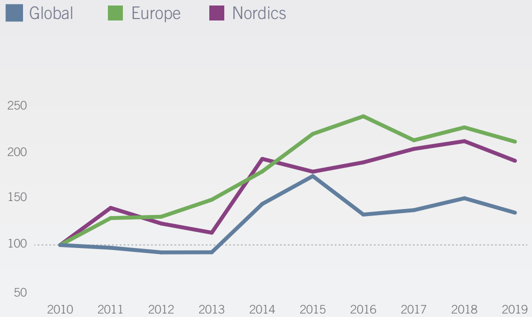
Triathlon notes a decline in global M&A activity during 2019, with both deal value and deal count falling from the all-time high levels of previous years. Europe maintained its deal count level, while the Nordic region struggled to keep up. Macroeconomic events and uncertainties such as trade wars, Brexit and signs of economic slowdown could explain this decline. However, an economic downturn could bring interesting opportunities for dealmakers, who were piling up cash heading into 2020. This year looks set to be challenging for dealmakers as the Coronavirus pandemic is likely to further reduce M&A activity throughout the year.

M&A activity declined during 2019

M&A activity declined in 2019 from the all-time high levels of previous years. The most apparent decline was seen in terms of deal value, where all regions fell below 2018's levels. The deal count also declined on a global level. Europe maintained the same level of deals closed, but the number of deals closed in the Nordic region declined. Finland and Norway held steady, while Denmark and Sweden tumbled.

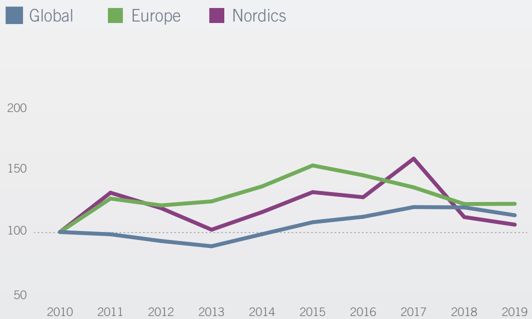
Sweden saw its deal value get almost halved and simultaneously experienced a significant decline in deal count. In short, the overall M&A activity appears to be in a downward trend. This trend appears to be driven by a lack of well-managed and interesting M&A targets, as opposed to a lack of buyers looking for M&A opportunities. Macroeconomic uncertainties also partially explain the decline.

DEAL VALUE (INDEXED, 2010 = 100)



"An economic downturn could bring interesting opportunities for dealmakers, who were piling up cash heading into 2020"

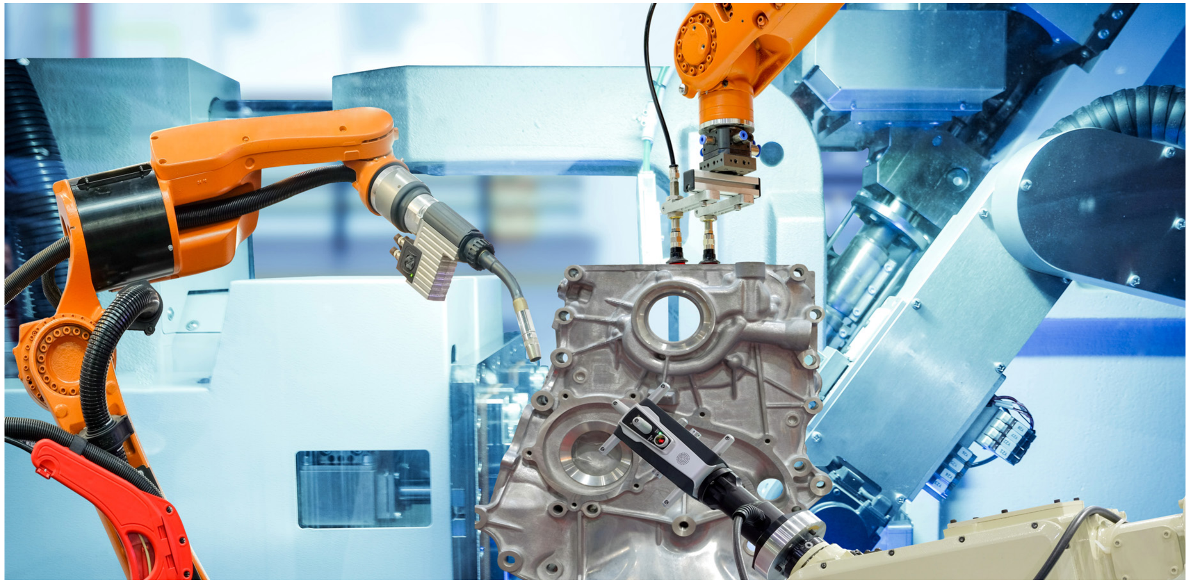
DEAL COUNT (INDEXED, 2010 = 100)



NEWSLETTER

Q2 2020

MACRO TRENDS DRIVE M&A ACTIVITY



SUSTAINABILITY PRESSURE

During 2019, companies invested in fossil fuels have been divesting non-core assets to reduce downside risk due to significant price volatility. Divestments are also driven by investors selling traditional energy stocks as strategies are realigning towards a sustainability focus. These sustainability pressures drive M&A activity, which is exemplified by the largest deal in the Nordic region during 2019.

Changes in the energy industry drive largest Nordic deal

The largest M&A deal in the Nordic region in 2019 was ExxonMobil selling some of its Norwegian assets to Vår Energi for $4.5 billion to offset sustainability risk and weak results in its main oil & gas business. ExxonMobil is looking to divest about $15 billion in non-core assets by 2021.

In the coming years, public perception, shrinking cost of renewables and stricter emissions targets will have a major impact on the stock performance of large energy conglomerates. This is likely to trigger additional waves of divestment in fossil fuels. Furthermore, the Coronavirus pandemic in combination with OPEC's inability to agree on output cuts have resulted in a dramatic fall in oil prices since the start of 2020.

TECHNOLOGY DISRUPTION

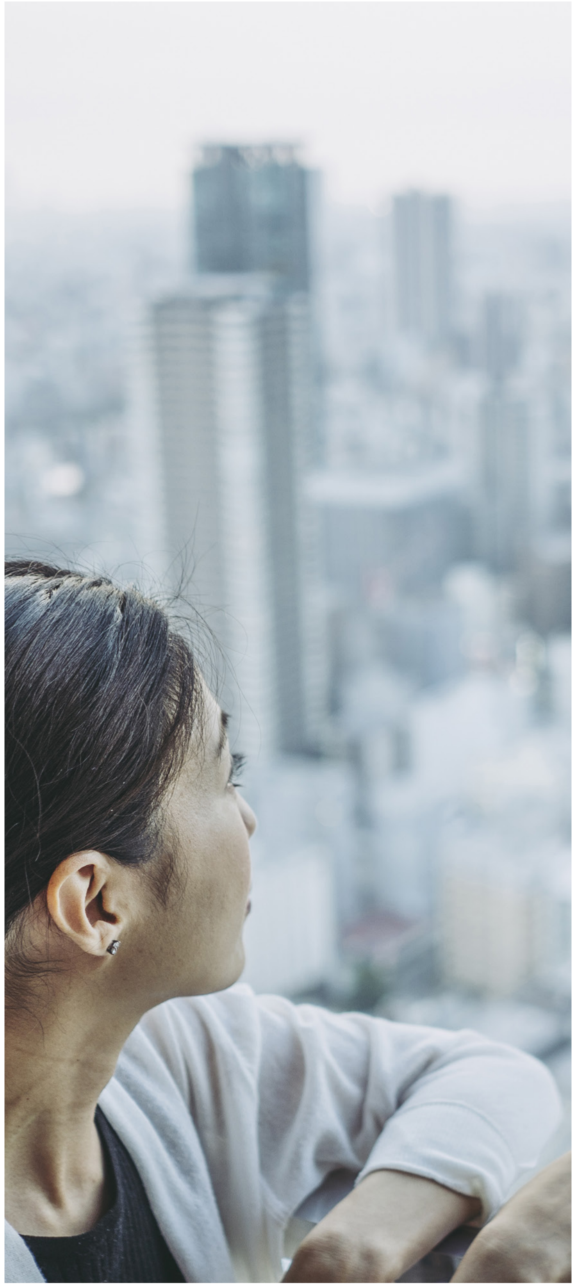
Heading into 2020, it is critical that a healthy relationship between USA, China and Europe is maintained and reinforced to stimulate M&A activity. USA and China are key trading partners to the Nordic region, and the Swedish automotive industry could be hit hard by American tariffs. The automotive industry also faces technological disruption that will be challenging to manage for all companies.

Consolidation in the automotive industry

During 2019, the automotive industry saw several big mergers. Daimler and Geely announced a joint venture in China. Volkswagen and Ford created a a global alliance. The Volvo Group and Isuzu Motors announced a strategic alliance that involves Volvo selling UD trucks to Izusu. With key markets declining and a technological shift towards electric and autonomous vehicles disrupting the automotive industry, companies need to join forces to stay competitive.

> "It is critical that a healthy relationship between USA, China and Europe is maintained and reinforced to stimulate M&A activity"

Consolidation in the automotive industry is seen as key to shape future players that have strong positions in key markets, efficient supply chains and sufficient financial strength to manage the transition towards electric and autonomous vehicles. This is likely to drive M&As in the automotive industry for many years to come.



MERGER AND ACQUISITION OUTLOOK 2020

Coronavirus & macroeconomic uncertainty continue to hurt M&A activity

Heading into the second quarter of 2020, the global economy is being hammered by the Coronavirus pandemic. The outbreak has significantly worsened an already strained macroeconomic environment and is likely to further cool global M&A activity.

The pandemic is limiting the possibility to travel and meet face-to-face, which will arguably impact the possibility to conduct M&A discussions. With stock markets plummeting, dealmakers are certainly hoping to renegotiate agreed deals and delay ongoing deal discussions. Not having the same communication possibilities will surely complicate such renogotiations, but simultaneously motivate a desired delay of ongoing deal discussions.

> “Several previously healthy businesses are now under serious financial stress and could end up as potential M&A targets”

In addition to the Coronavirus, several global macroeconomic uncertainties continue to take their toll on the world’s leading economies. Germany, Europe's leading economy, has been hit hard by the trade wars. This nearly led to a downturn of Germany’s economy even before the pandemic, with other European economies also showing signs of cyclical weakening. As the overall M&A activity correlates with the state of the macroeconomic environment, dealmaking is expected to decline further in 2020.

When economies grind to a halt, so does the M&A process

The M&A opportunities of an economic slowdown is not free of challenges. Time required for closing deals often increases when economies slow down. A reason for this slowdown could be that dealmakers become more careful and selective during economic downturns, leading to extended and more thorough due diligence processes. This increases closing complexity and slows down the overall M&A decision-making process. With the average time to close a deal already having increased with 30% over the last decade, this is not good news. Speed is key in M&A deals, as extended M&A processes could be costly.

2020 presents a new M&A landscape

As the world rises from the Coronavirus crisis, we will likely face a new M&A landscape. Several previously healthy businesses are now under serious financial stress and could end up as potential M&A targets. This new M&A landscape could be dominated by rescue deals in a way that was not the case prior to the Coronavirus crisis. It remains to be seen how 2020 will turn out from an M&A perspective.

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