



BORENIUS  
DISCUSSES M&A  
IN THE NORDIC  
REGION



JARI VIKIÖ  
MANAGING  
PARTNER



JUHA KOPONEN  
PARTNER AND  
HEAD OF CAPITAL  
MARKETS



JOHANNES PIHA  
PARTNER AND  
HEAD OF M&A

# FINLAND: IPO FLAVORED M&A MARKET

As the Finnish M&A market continues to perform quite well, Helsinki-headquartered law firm Borenius highlights the increasing convergence of capital markets with traditional M&A.

Finland's M&A environment has remained fairly active, but volumes are somewhat down from 2014. Figures from corporate intelligence agency Mergermarket show that during the first 11 months of 2015, deal volume was down to 116 deals from 134 deals during the same period in 2014. Several factors probably contribute to the slight decline, the main factor being the strong IPO market, which has led many companies to seek public listing instead of a trade sale.

However, being involved in three of the largest private equity deals in Finland this year and having a whopping 50 % market share of the completed 2015 IPOs has kept the Borenius'

transaction team busy during 2015. Established in 1911, Borenius Attorneys Ltd is one of the largest and most experienced law firms in Finland. The firm's services cover all areas of corporate law. In addition to its national offices in Helsinki and Tampere, the firm also has a well-established office in St. Petersburg, which regularly advises both Russian and foreign clients in cross-border transactions involving Russia. The firm also has a representative office in New York.

### WHAT WAS THE STATE OF BIG TICKET PRIVATE EQUITY DEALS IN 2015?

**BORENIUS:** Three larger PE deals have closed to date in 2015 in Finland. None of them rose

to the level of multi-billion deals. In the largest private equity deal of the year, construction material producer Paroc Group was sold to CVC Capital Partners for approximately EUR 700 million and the deal closed in February 2015. Paroc operates in Finland, Sweden, Russia and the Baltics. The sellers of Paroc Group were an international group of banks led by ING in Amsterdam.

London-based mid-market buyout and growth capital fund Vitruvian Partners acquired CRF Health Oy in February 2015. CRF Health Oy is based in Helsinki, London and Philadelphia. In October 2015, Vitruvian Partners acquired the majority stake in Accountor Holding Oy, the leading provider of financial, accounting and HR solutions in Northern Europe. The transaction closed in December 2015. Accountor operates in seven countries and has more than 2,000 employees and approximately 30,000 customers. The values of these Vitruvian Partners deals have not been disclosed.

### WHAT ARE THE MOST COMMON FINANCING ALTERNATIVES FOR TRANSACTIONS?

**BORENIUS:** Most investments take the form of equity. There is a tendency towards preference shares replacing traditional shareholder loans. Smaller high yield bonds have also emerged as a financing alternative and Finnish market has seen first few cases where private equity backed deals have been financed by high yield bonds. There also are some mezzanine funds actively operating in the market, but given the relatively small deal sizes and good availability of senior financing, mezzanine is quite seldom used. Deals are also leveraged, as everywhere else in Europe, depending

on the market conditions and availability of debt financing. A traditional senior secured term loan facility made available by a bank or a club/syndicate of banks is still the most common source of debt financing in the Finnish private equity market. Credit funds and other non-traditional lenders have not been active in Finland so far.

### WHAT REASONS HAVE BEEN DRIVING THE DUAL-TRACK PROCESSES IN 2015?

**BORENIUS:** There has been an upswing in the number of initial public offerings (IPOs) in Finland in the last two years after many years of virtually no activity. The IPO market was busier this year with 12 new listings to date on Nasdaq Helsinki compared to 9 listings last year. Three of these IPOs were private equity exits. For the first time in 2015, we began to see genuine dual-track processes of which some ended up as IPOs and some as trade sales. The largest Finnish IPO of the year has been Investcorp's exit from Asiakastieto Group Plc, which was in aggregate a nearly EUR 200 million offering.

The dual-track processes have become more popular due to the demand by institutional investors of European equity and the current successful IPO exits in the Nordics. Also, given the volatility of the M&A market, and the subsequent uncertainty over timing, focusing solely on an M&A exit can be risky. There have been a few dual-track processes, which in the end have led to trade sales, however, more recently the IPO track has been dominating due to the higher pricing in the public market. Lately there has been an increased amount of volatility on the Finnish equity markets, partially caused by the

.....  
*There has been an upswing in the number of initial public offerings (IPOs) in Finland in the last two years after many years of virtually no activity. The IPO market was busier this year with 12 new listings to date on Nasdaq Helsinki compared to 9 listings last year.*

latest developments in China. Some of the dual-track processes, which in the financial press were strongly speculated to end up as an IPO eventually turned out to be trade sales. One example of such dual-track process taking a turn to a trade sale was evidenced this autumn when a UK based private equity firm Vitruvian Partners acquired Helsinki based Accountor.

### WHAT ARE THE RECENT TRENDS SEEN IN THE IPO EXITS?

**BORENIUS:** An IPO will typically require the owner to maintain a stake in the company for a period of time following the IPO. In the Finnish 2015 IPOs, the lock-up period has varied between 6-12 months, so that the lock-up period for the selling shareholders has varied between 6-12 months while the lock-up period for the issuer itself has usually been 6 months. The market standard has been developing in the direction where the management lock-up period is usually 12 months.

The reasons for doing an IPO and the use of proceeds have varied depending on the needs and the specific fields that the

.....  
*Most investments take the form of equity. There is a tendency towards preference shares replacing traditional shareholder loans. Smaller high yield bonds have also emerged as a financing alternative and Finnish market has seen first few cases where private equity backed deals have been financed by high yield bonds.*

.....

*We occasionally see private equity players launching tender offers for listed companies in Finland. Such deals are often friendly negotiated deals with an attractive premium where the majority stakeholders are committed to the deal.*

issuer operates in. In terms of the 2015 Finnish IPO structures, there have been pure primary offerings by the issuer, pure share sales by the shareholders (secondary offering), but probably most commonly a combination of a primary and a secondary offering. Pure secondary offerings of companies who can pay steady dividends have been favoured by the Finnish investors, which have made the IPO exits more popular.

One of the recent trends in the European IPOs has been the use of cornerstone investors. These investors are typically large investors whose name carries a weight across the market. The practice entails that these investors agree to subscribe for a certain number of shares in the IPO throughout the range. These commitments are disclosed in the prospectus in order to generate sufficient interest towards the IPO. This practice has been very successful and has been used in deals very recently as it creates credibility and interest in the IPO. This has also been utilized in one Finnish IPO to date in 2015.

The Finnish IPO market outlook for 2016 seems also promising and as of yet the IPO market is not slowing down in Finland.

#### WHAT IS THE PLAYING FIELD FOR PUBLIC-TO-PRIVATE TRANSACTIONS?

**BORENIUS:** We occasionally see private equity players launching tender offers for listed companies in Finland. Such deals are often friendly negotiated deals with an attractive premium where the majority stakeholders are committed to the deal. A few years ago, despite lower valuations, the unavailability of acquisition finance hindered such offers, but more recently the market has picked up and deals have been announced, or are being negotiated or proposed. Under the Finnish takeover rules, a bidder must disclose the financing arrangement necessary to consummate the bid, and the target's board will most likely require that a financing commitment be in place at the time of the execution of the combination agreement. The Finnish mid-cap listed companies have been attractive acquisition targets due to their small size and concentrated ownership pools, combined with strong local positions in their respective markets

.....

*The obligation to comply with the Helsinki Takeover Code is based on the provisions of the Finnish Securities Markets Act and the 'comply or explain' principle. Hence, in its announcement, the bidder must also declare whether it will adhere to the Code or not and give a reasonable explanation for non-adherence, if any.*

and global potential. The key issues in a public tender offer in Finland for a private equity fund are no different from other markets. Financing is clearly a concern, as well as getting firm commitments from main shareholders and negotiating the terms of the deal (including pricing, premium and closing conditions among other things) with the target's board. Larger cross-border deals would naturally be subject to competition law scrutiny as well. The acquisition of a Finnish target company in a defense-related or otherwise strategically crucial sector may also be subject to government approval. The Helsinki Takeover Code addresses questions and practices related to the actions of both the bidder and the target company, as well as the management and shareholders of the target company. The obligation to comply with the Helsinki Takeover Code is based on the provisions of the Finnish Securities Markets Act and the 'comply or explain' principle. Hence, in its announcement, the bidder must also declare whether it will adhere to the Code or not and give a reasonable explanation for non-adherence, if any. The Code is also available in English, as are the Finnish Securities Markets Act and all of the regulations issued by the Finnish Financial Supervisory Authority.

#### HOW HAS THE PUBLIC M&A MARKET BEEN OVER THE PAST YEAR?

**BORENIUS:** In 2015, we have seen two major cross-border public M&A deals. In April 2015, Nokia announced the acquisition of its French-American competitor Alcatel-Lucent in a EUR 15.6 billion exchange offer. In August 2015, Konecranes announced the merger with its U.S. competitor Terex through a EUR 3.9 billion combination.

Both these pending deals are unique in size and complexity and require SEC filings in the U.S. as well as competition clearances in the U.S., EU and China. The Konecranes-Terex deal is also unique in a way that it will create a new NYSE and Helsinki dual-listed company. In addition to these two cross-border M&A deals, there is a pending a domestic tender offer, in which Alma Media (a publishing company) made a tender offer for all shares of Talentum (which is a smaller professional magazine publisher). Both Alma Media and Talentum are listed on the Helsinki Stock Exchange and the value of this tender offer to be completed is approximately EUR 40 million.

#### WHAT SUPPORT CAN BORENIUS PROVIDE TO CLIENTS LOOKING AT M&A, PRIVATE EQUITY AND CAPITAL MARKETS TRANSACTIONS?

**BORENIUS:** Our strategic initiatives that derive from the 1990s private equity environment in Finland have helped us to secure a leading position both in fund formation and deal making. Our market share in fund formation and secondaries has for many years been over 50 percent, giving the firm unprecedented access to both to private equity funds and their investors. We have represented a deep list of private equity and venture capital houses in making investments and exits, as well as target companies' management in these transactions. Additionally our tax practice, which is the largest of any Finnish law firm, puts us in the excellent position where we can provide 'the whole deal' to our PE customers. We advised on 32 M&A transactions and 7 IPOs to date in 2015. These M&A transactions included, among others, the EUR 700 million sale of Paroc Group to CVC (February

.....

*Our strategic initiatives that derive from the 1990s private equity environment in Finland have helped us to secure a leading position both in fund formation and deal making.*

2015), the acquisition of CRF Box Oy by Vitruvian Partners (February 2015), the acquisition of Accountor by Vitruvian Partners (December 2015) and the EUR 350 million real estate portfolio acquisition by Partners Group (October 2015). The 2015 completed Nasdaq Helsinki IPOs include the listings of Detection Technology Plc (March 2015), Robit Plc (May 2015), Talenom Plc (June 2015), Elite Asset Management Plc (December 2015), EVLI Bank Plc (December 2015) and Consti Group Plc (December 2015).

#### ABOUT THE AUTHORS:

**Jari Vikiö**  
*Managing partner*  
jari.vikio@borenius.com

Jari advises on banking and finance, M&A and private equity related transactions with particular emphasis on large and medium size deals. Jari has been involved in numerous large domestic and cross border mergers and acquisitions and frequently represents various domestic and international private equity houses and other companies in transactions. He also acts as a member of the board of directors in many portfolio companies advising on corporate issues. Jari has been a partner at Borenius Attorneys Ltd since 2001, and managing partner since 2008.

**Juha Koponen**  
*Partner and head of capital markets*  
juha.koponen@borenius.com

Juha Koponen is a dual-qualified (Finland and New York) transactional lawyer, who focuses his practice on capital markets, M&A and private equity transactions. He has advised issuers and underwriters on public and private offerings of equity and debt securities, including IPOs, high-yield debt offerings, convertible debt issuances and rights offerings. He has also advised bidders and target companies on tender offers. Prior to joining Borenius Attorneys Ltd in March 2014 as the head of capital markets, Juha was a partner with another major Finnish law firm. His prior experience includes working as a partner in another leading Finnish firm, as an associate at Fried, Frank, Harris, Shriver & Jacobson LLP for three years (New York and London) and as a corporate legal counsel at Nokia Corporation focusing on securities regulation.

**Johannes Piha**  
*Partner and head of M&A*  
johannes.piha@borenius.com

Johannes advises clients on a wide range of issues relating to private equity, mergers and acquisitions, ownership structuring and fund formation. Johannes has been involved in numerous domestic and cross-border transactions acting for both private equity sponsors and industrial clients. Further he has advised clients in ownership and equity structuring in infrastructure projects, and in general corporate matters.