

A close-up photograph of a person's hand holding a smartphone over a payment terminal. The person is wearing a light-colored shirt. The background is a blurred retail environment with clothing racks and a computer monitor. The Deloitte logo is in the top left corner.

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2021 M&A Consumer Sector Report

Nordic Consumer transactions

Mar 2022

Letter from the editors

The level of M&A activity in the Nordics has risen considerably in 2021 compared to 2020, within the consumer segment. Consumer businesses have swiftly recovered and changed strategic focus to meet the demand from shifting market dynamics.

2021 cannot be summarised without mentioning Covid-19. While reactions varied across borders, the pandemic generally disrupted the market and society, seemingly overnight in 2020, and a market dip followed. Subsequently, the industry recovered quickly, while key long-term trends accelerated at an unprecedented pace. This uplift, combined with global supplier issues, especially related to Asia, triggered out of stock issues and a significant increase in shipping costs and more complex logistics for retailers.

Following a strong development in trading valuation, the Nordic consumer index had a correction through 2019 and a further dip in 2020, due to Covid-19. Trading valuation levels have since rebounded and, following a strong end to 2020, the index has continued developing positively in 2021.

Transaction volumes across the Nordic consumer industry have picked up after a naturally slow 2020. Significant uncertainty in the early stages of

the pandemic led to a slow M&A market, with a strong pick-up thereafter. 2021 had the highest deal volume over the last five years with increasing deal volume in all the Nordic countries.

Looking at the investor base, we see that international buyers continue to show interest in Nordic consumer companies in 2021. Nordic buyers still dominate and represent the largest buyer group by far, however international buyers of Nordic consumer companies have increased from 12.4% in 2019 to 16.9% in 2020 and 18.1% in 2021. Sweden remains the largest country in terms of local buyers of Nordic targets in 2021.

For this report, we have focused the market segment scope to deals within consumer products, retail and consumer health. Selected transactions and market focus is within the three market segments. The selection of the aforementioned segments has been made in order to limit the broad space that is consumer. Going forward we will revisit the scope and the boundaries of which segments we are to focus on.

The 2021 report reflects transactions involving Nordic targets registered by Mergermarket, as well as our transaction experience and insights into key industry trends.



Nordic consumer index trading at 12.5x EBITDA



2021 had the highest consumer deal volume compared to the last 5 years



Trend: Covid-19 has reinforced underlying consumer trends



Spotlight: Pandemic-induced consumer trends



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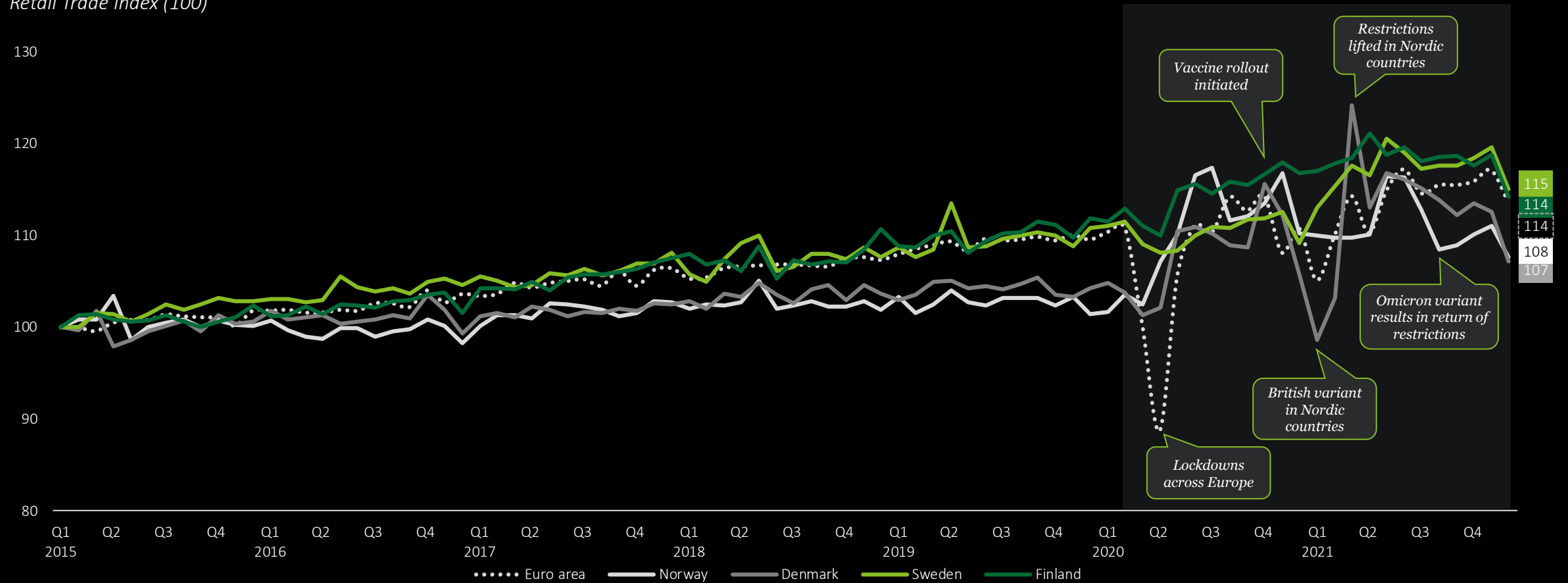
Deloitte Insights


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01 Market trends

Clear Covid-19 impact on Consumer industry, however it has ultimately resulted in increased growth and reinforcement of underlying consumer trends



Retail Trade Index (100)



 Upturn in retail throughout 2020, driven among other things by limited spend on travel, hotel, restaurants and cross-border trade

  Experienced similar upturns to Norway, and correspondingly similar declines as lockdown measures were lifted


  Flat development throughout 2020, as restrictions were limited until 2021, when retail experienced a significant uplift

  Experienced the highest growth since 2015 up until the pandemic, overtaken by Sweden per Q4 2021

The pandemic has accelerated changes in consumer behaviour

Covid-19 impact


The materialisation and acceleration of four major trends has been observed throughout the pandemic



Shift to digital

Accelerated shift to a clear majority of consumers across the Nordics both shopping and socializing online. Apart from increasing penetration, the pandemic also increased the online spend of consumers already shopping online


----- Examples -----



Rebirth of the physical store

Physical stores have started reassessing their roles and experienced a shift in how to deliver products and services. A powerful tool in differentiating your customer experience and potentially reducing costs or simplifying your business


----- Examples -----



Focus on health and well-being

Through the pandemic, there has been an increased focus on both physical and mental health

----- Examples -----



Net zero

Net zero retail remains a key focus as more and more retailers and e-commerce players are moving to accelerate the transition to respond to the changing expectations of both their customer and their employees

----- Examples -----

oda
Wolt

EMBRACER+
GROUP
Porterbuddy

IKEA
ELIKJÖP
LIVE
SHOPPING

HOLZWEILER
DAPPER

NORRØNA
eyr

milrab.no
GEARS YOU THERE
kry

'tise ReLi H
True Gum NATURLI'

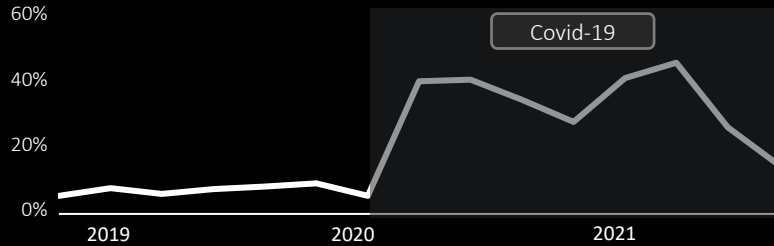
The bar has quickly been raised for Consumer industry

Covid-19 impact

Lockdowns have accelerated the shift to digital

Accelerated growth in e-commerce...

E-commerce growth compared to same period in prior year (Norway), %



... With new distribution models driven by demand for flexibility and convenience...

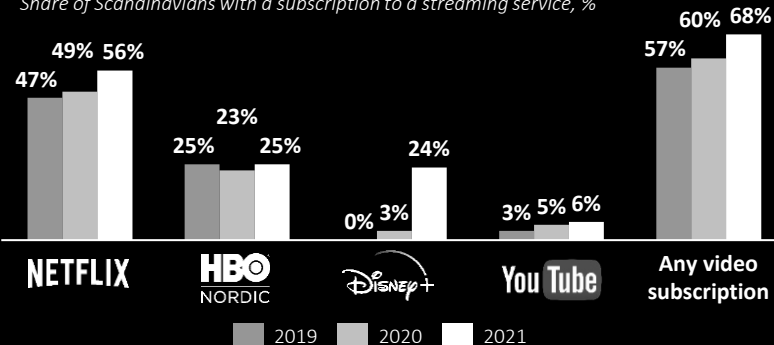


Porterbuddy



... And consumers across all ages turning to SVOD services and gaming for entertainment

Share of Scandinavians with a subscription to a streaming service, %



The growth of online has forced retailers to reassess the true value and role of their stores

Examples of experience-based retail concepts



Hope Hair

Hope Hair X Brors Bar X Asi Pure Spa

A local partnership between a hair salon, a bar and a spa, to create a unique and cozy experience when visiting



Holzweiler

Holzweiler Platz

Holzweiler, The Norwegian fashion house, merged a restaurant into their concept store as a response to the evolving retail landscape



IKEA

IKEA – Escape the Clutter

IKEA released an augmented reality escape game in Snapchat called “Escape the Clutter”, merging the digital and physical experience

New consumer behaviour has emerged

Covid-19 impact

An increased focus on health and well-being has been observed as homes have started functioning as offices and gyms



Rapid consumer adoption of smartwatches and smart patches in Nordics as their functions have evolved from exclusively weight loss and performance tracking

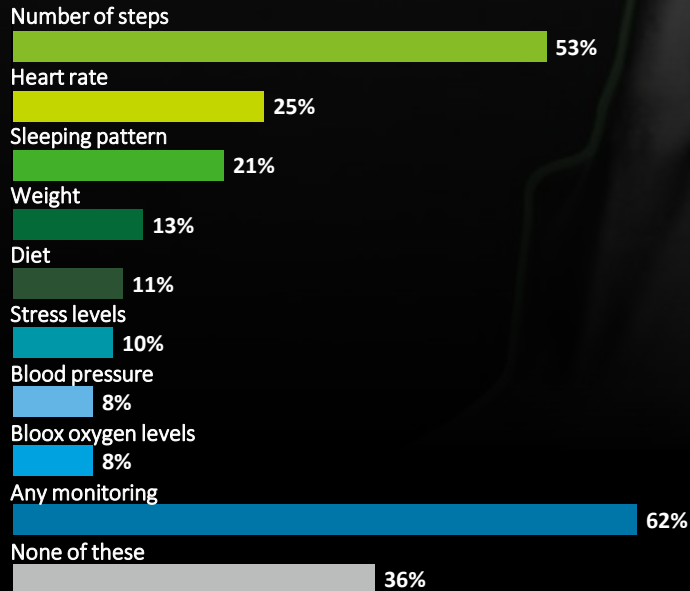


Wearables have increasingly been turned into personalized health clinics by apps and doctors

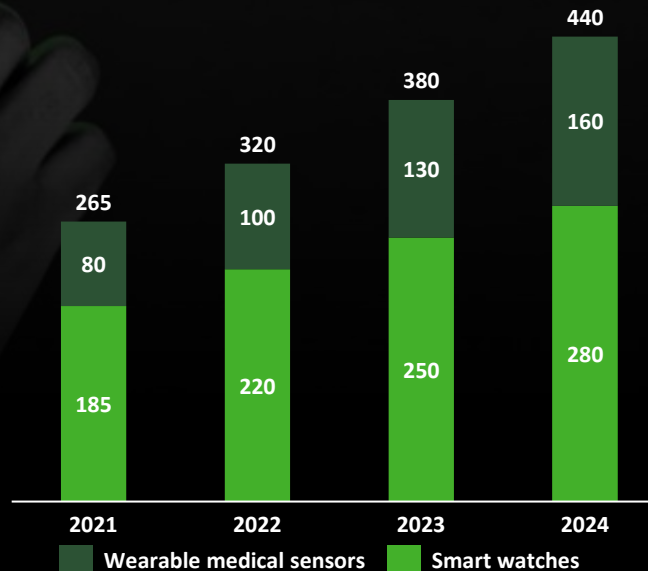


An increased focus on mental health has blossomed during the pandemic, with increased activities from health services providers such as Eyr, Kry, Dr. Dropin etc.

Most used health monitor metrics in Nordics



Global health wearable market size (million units)



Net zero to Net profit

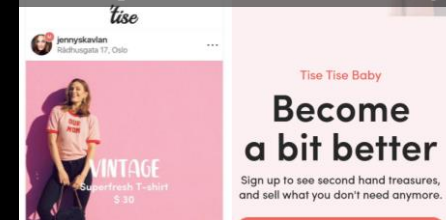
An authentic focus on sustainability will lead to increased customer loyalty

32% say they are now actively making adjustments in their lives to live more environmentally friendly

45% of Gen Z have stopped buying certain brands for ethical or sustainable reasons

50% are willing to pay more for environmentally friendly or ethical brands

Marketplace for second hand clothing



Clothing rental



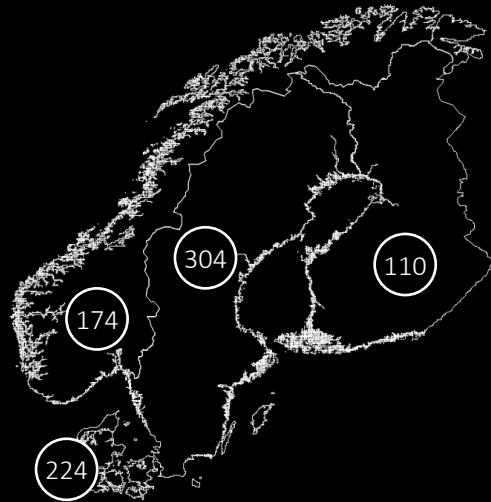
Development of textile recycling tech

02 Consumer M&A activity

High transaction volume across the Nordic consumer sector, with peak in 2021

Transaction development

Total # of deals since 2015

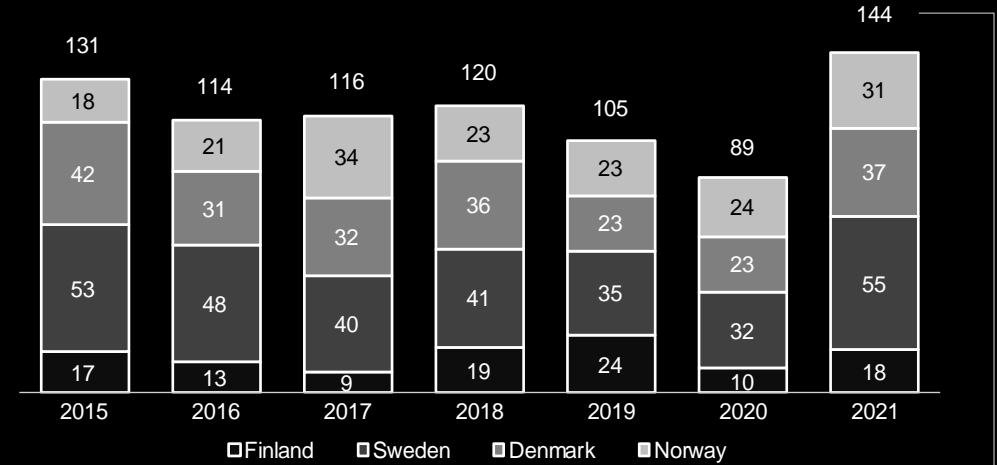


Continued high transaction activity across Europe over the last years

Covid-19 had a high impact on number of transactions in 2020, however no real impact on pricing. Transaction volume back to "normal" levels in 2021 despite covid-19 affecting consumer businesses

Stable pricing of consumer businesses seen in recent years

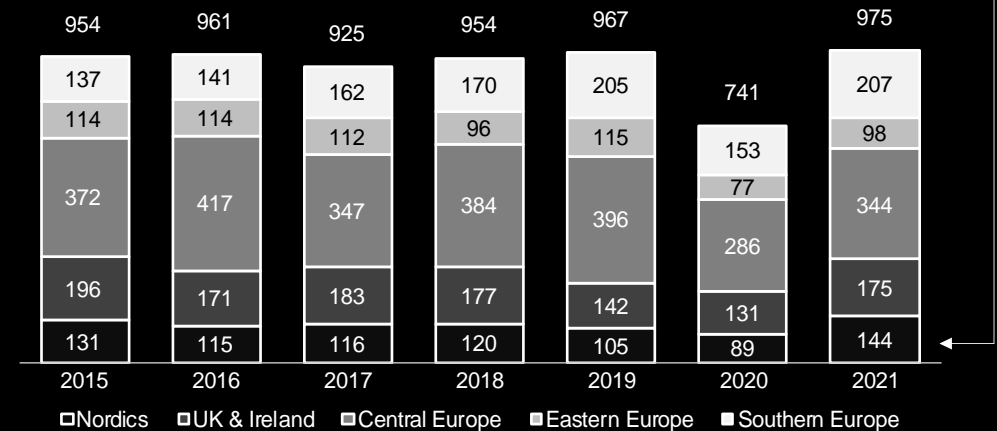
Consumer transactions in Nordics



Development in transaction multiples (Median – Europe)

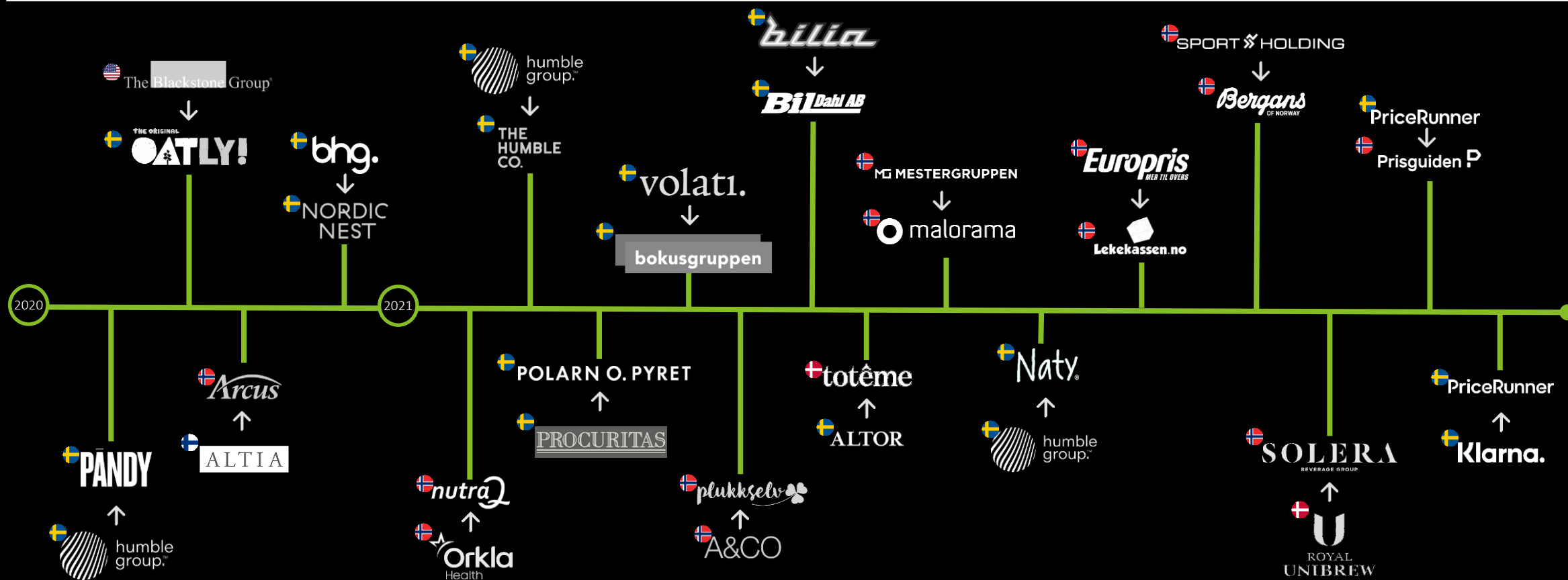


Consumer transactions per year by regions in Europe



Significant deal activity across the Nordics throughout the pandemic

Selected Nordic consumer transactions



Swedish FMCG company Humble Group was one of the most active acquirers in 2021, acquiring 14 companies



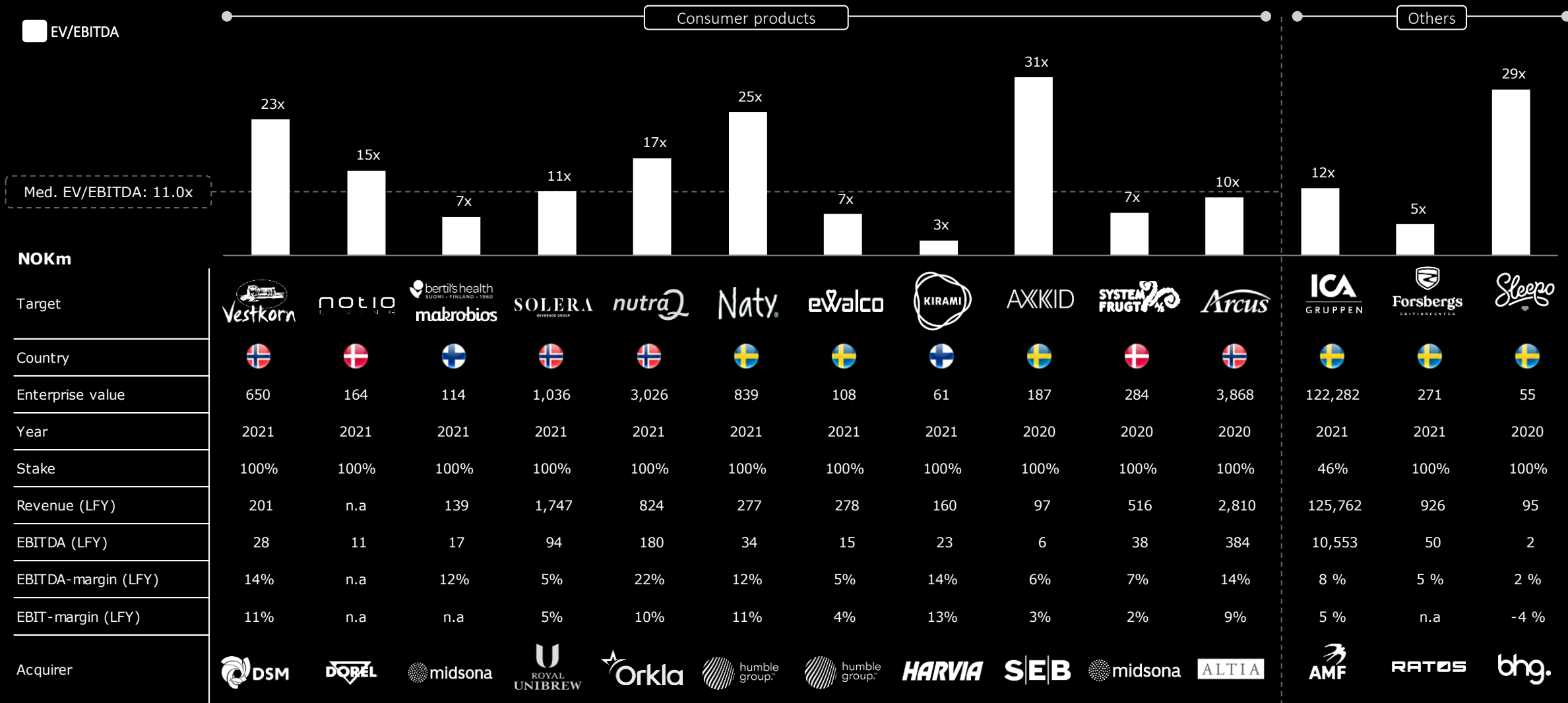
Norway-based Orkla was also one of the most active acquirers in 2021, with over 11 acquisitions completed



One of the largest reported transactions in 2021 was the sale of the Swedish e-retailing company PriceRunner to Klarna Bank AB

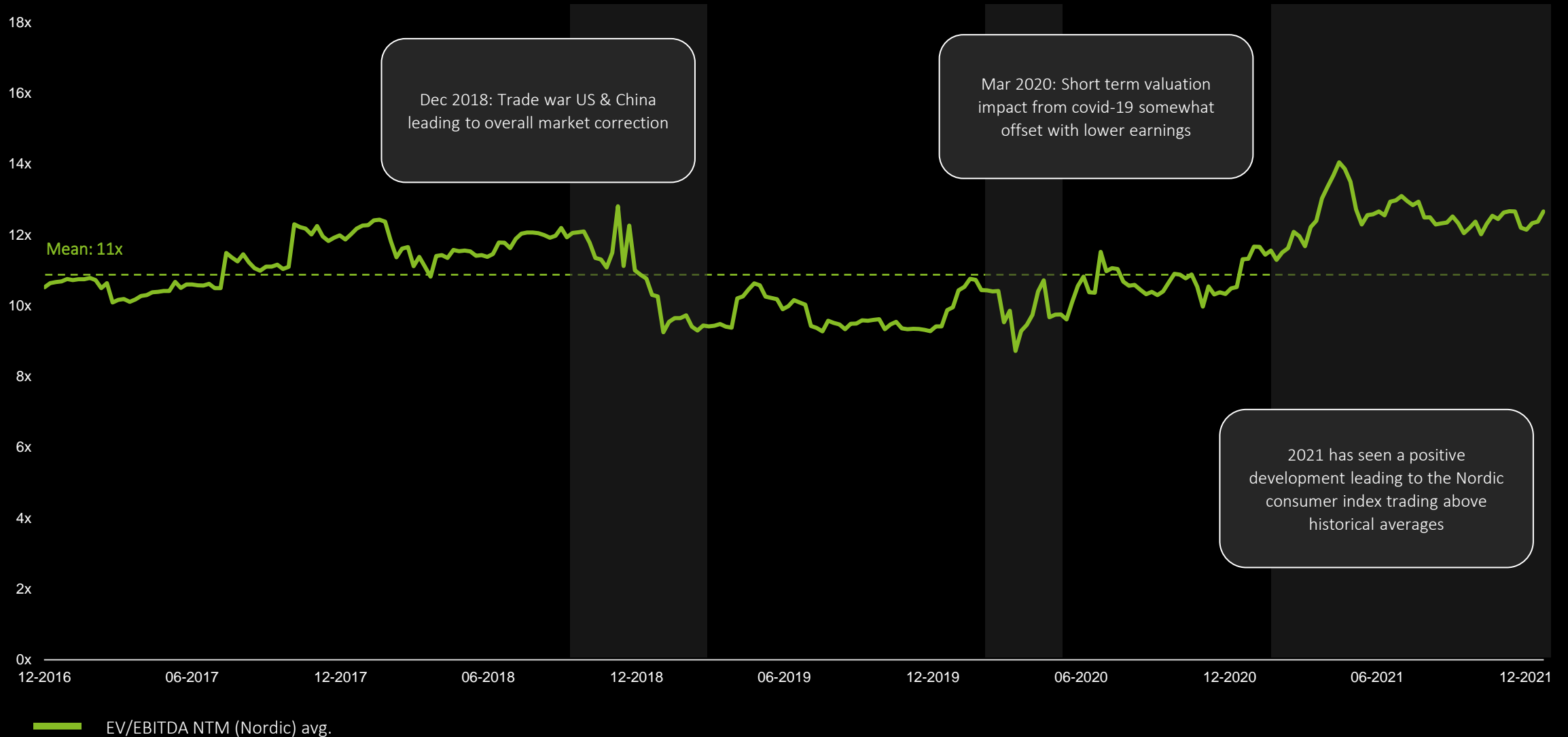
Nordic Consumer product transaction multiples indicate an Enterprise Value of ~11x EBITDA

Transaction multiples



The Nordic Consumer index traded at 12.5x at the end of 2021 above the L5Y mean of 11x

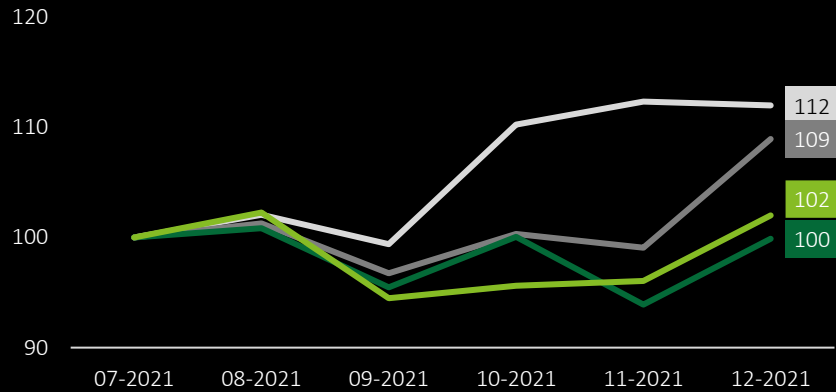
Listed consumer companies development



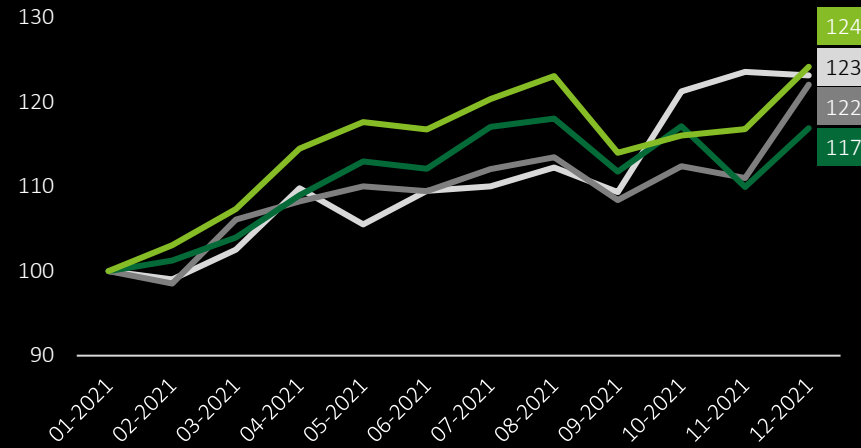
The Nordic Consumer index outperformed comparable indices over the last three years

Listed consumer companies development

Deloitte consumer index vs S&P Consumer and MSCI Nordic – L6M



Deloitte consumer index vs S&P Consumer and MSCI Nordic – L12M



Key takeaways



Deloitte Nordic Consumer index has outperformed the comparable indices over the last three years

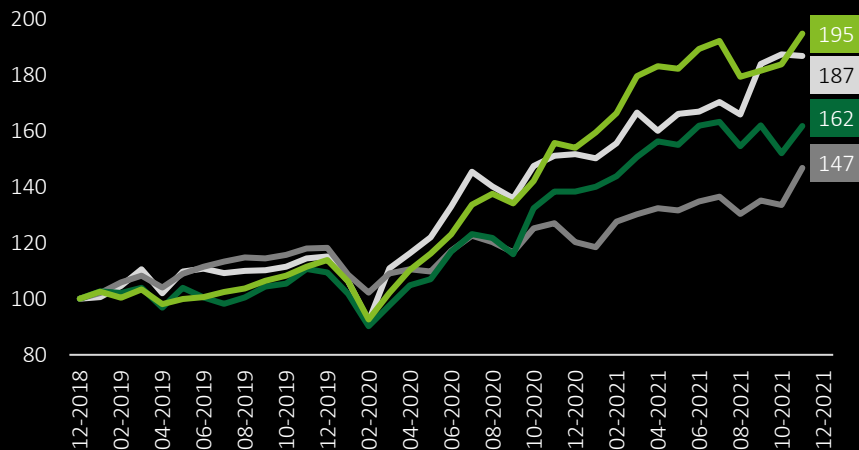


The discretionary consumer segment has outperformed consumer staples driven by the likes of Amazon and Tesla

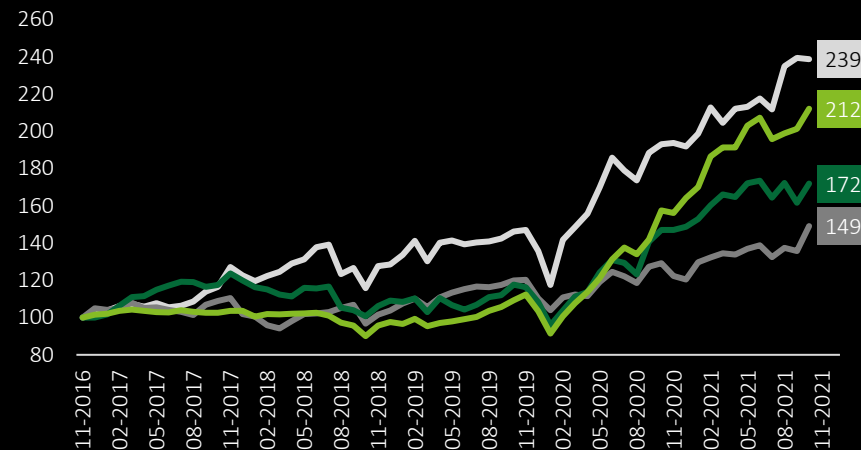


The overall positive development in the Nordic Consumer Index underlines continued strong demand for and quality of Nordic consumer companies

Deloitte consumer index vs S&P Consumer and MSCI Nordic – L3Y



Deloitte consumer index vs S&P Consumer and MSCI Nordic – L5Y



03 Deloitte Insights

Deloitte is a leading M&A advisor in the Nordics with significant Consumer experience

Nordic Deloitte Consumer transactions since 2021 (1/2)

Selected Deloitte Corporate Finance credentials¹

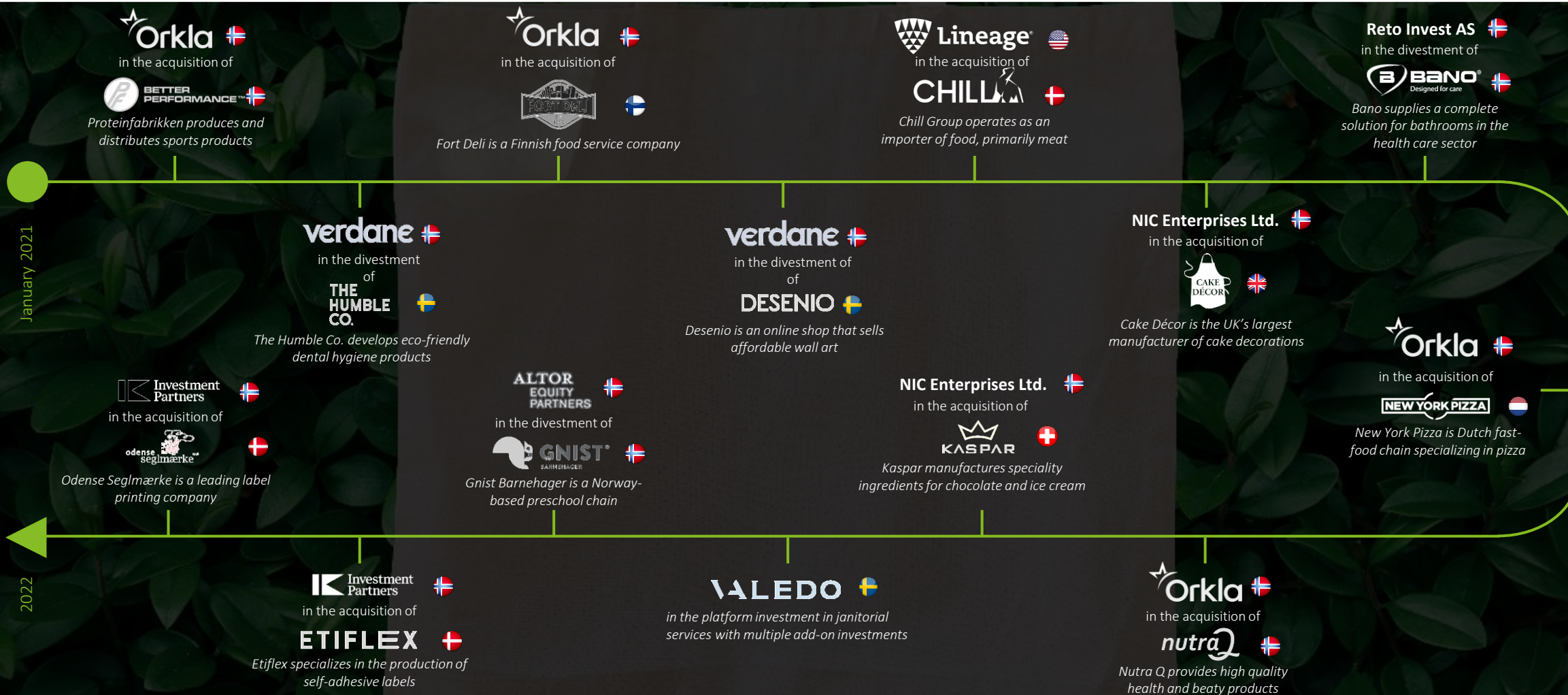


1) Non-exhaustive list of credentials
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Deloitte is a leading M&A advisor in the Nordics with significant Consumer experience

Nordic Deloitte Consumer transactions since 2021 (2/2)

Selected Deloitte M&A Transaction Services credentials¹



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Further insights into market trends can be found in other Deloitte publications

Suggested further reading



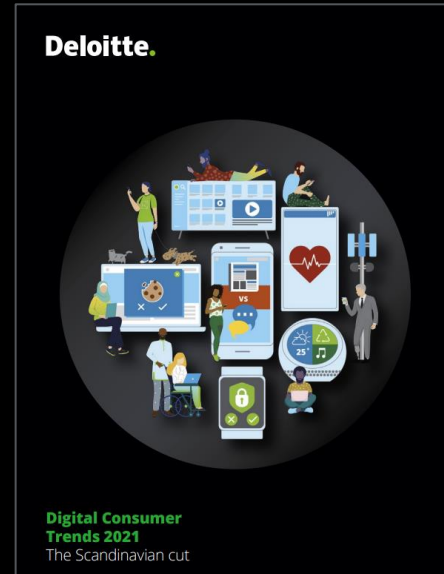
Deloitte State of the Consumer Tracker
The Deloitte Consumer Industry Center has been tracking consumer sentiments by country, providing a compact view of timely data and trends, highlighting evolving trends such as consumer anxiety, net spending intent and consumption patterns

[Explore our interactive dashboard](#)



Global Powers of Luxury Goods 2021
Breakthrough luxury
The pandemic was the catalyst for change as luxury goods companies adopted new paradigms of value creation. These paradigms include incorporating sustainability and digitalization into their strategies, to align with consumers' and regulatory demands

[Download the report](#)



Nordic Digital Consumer Trends 2021
The Scandinavian cut
A dive into the digital consumer and the online customer experience. We explore streaming habits, changing ways of getting news, new tech gadgets and more. It also includes four spotlights on industry trends in Retail, Telecon, Public and Financial Services

[Download the report](#)






i loopen – Merkevarebygging med Holzweiler
In this episode of Deloitte weekly podcast, Susanne Holzweiler, founder of the Norwegian fashion house, and Jan Christian Fosseidbråten, founder of Los & Co, share their insights on the brand building process

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