Transaction Radar

Summary of the first half of 2025

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Ellex Transaction Radar summary of the first half of 2025

Everything was set for a big transaction party...

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Ellex Transaction Radar summarises the most important trends of the transaction market in the first half of 2025.

In total, there were two more transactions concluded in the first half of 2025 than in the previous half-year (96 vs 94). The total number of transactions in the past four quarters was the highest in the last quarter (52) but the number of transactions has remained at the same level of low as it was at the end of 2024.

According to the Transaction Radar, the European and global transaction markets are paralyzed from the general geopolitical instability. There were certainly other important factors but the main driver was President Trump's tariff circus which affected the transaction market in the half-year that just ended. In Estonia the scene is still negative due to inflation and economic recession.

Risto Vahimets, Partner and Head of M&A | Ellex in Estonia

In the first half of 2025, a total of 96 transactions were registered in Estonia, divided as follows:

39

venture capital and technology transactions

43

43 traditional M&A transactions

8

share issues (incl. OTC issues)

6

major real estate transactions

The most important key word related to the trends of the transaction market in the half-year ended is undoubtedly President Trump's tariff circus. Impose tariffs, cancel tariffs, impose again, bigger, smaller, counter-tariffs... A reasonable person would say, wait – let's see what comes of this and then make major decisions. One can make opportunistic moves with a small part of the portfolio and this is what the world has generally done. To quote the Datasite Deal Drivers EMEA Q1 report: "M&A felt a strong decline in the first quarter. The transaction volume dropped to 3092 transactions - that is 34.2% less compared to the first quarter of the previous year."

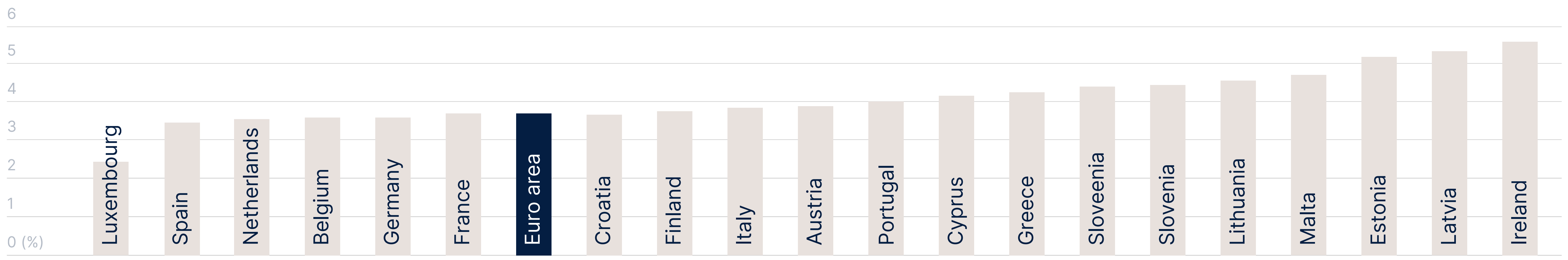
Why did I say in the title that everything was set for a big transaction party? As to macro indicators, interest rates fell to a level that could bring (should have brought) new stability. Problems with inflation have improved on the global level. The economy in the West is in a slight upward trend. As the visibility for these indicators was good and more importantly, stable, those making decisions about transactions had a clear sight of the horizon and buyers and sellers viewed company values similarly.

And then Trump came with his "Liberation Day" nonsense.

Let us take a look at the recent dynamic of interest rates. ECB's outlook of the euro area business loan cost is presented in the following table. For Estonia, the period brought some relief by dropping to third place from the first place held at the end of 2024. But the current ranking is not exactly making transactions easier if the competitors of our companies (and probably their M&A transactions as well) receive foreign investments at a 1-1.5% lower price.

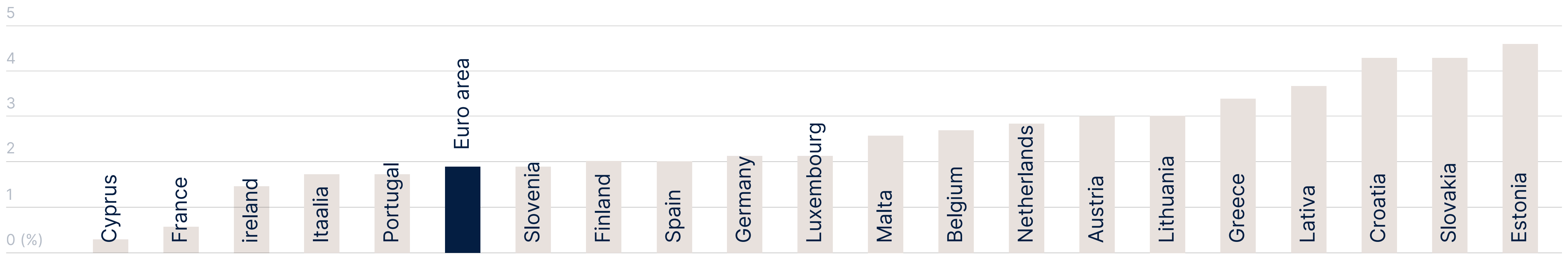
ECB reduced the base interest rate again in June, which the markets had anticipated and already accounted for in the interest levels of commercial loans.

Business loan interest rates



The table where Estonia holds a strong leading position is the euro area inflation ranking. 4.6% is clearly above the ideal level. Globally inflation has stabilised and if it does occasionally exceed the ideal level, it is no longer as grave a concern as it was a couple of years ago.

Inflation



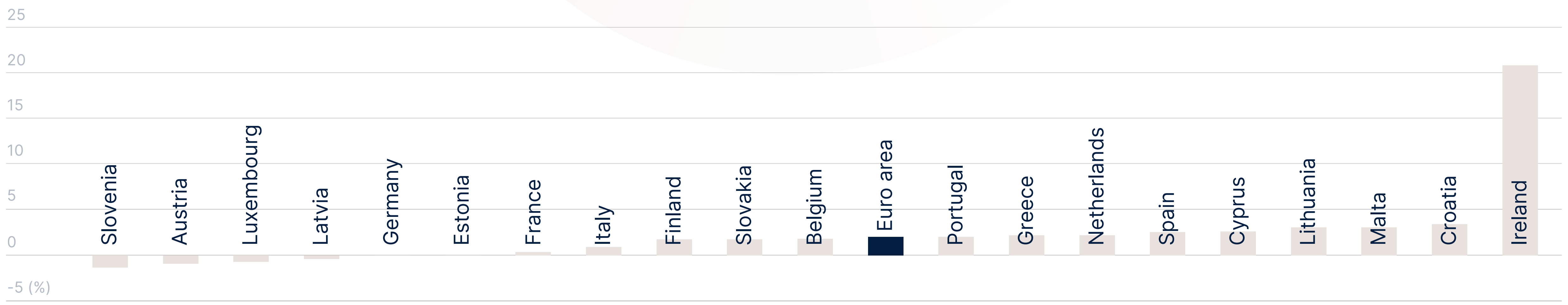
The war in Ukraine as a negative impact on the transaction activity in our region is still ongoing and is not showing signs of dying down. Trump's "actions" in this regard amplify the problems even to cross regions. An increasingly more important side effect of the war is the new technology which is producing transactions in the defence and "dual-use" industry. Much of the technological innovation related to the war is soon expected to move from the war front to civilian use. The intensity of the war motivates public funding for the R&D, production and testing stages of new technology and thereby accelerates the development of the respective technology. This story might soon steal the hot technology throne from AI. In recent weeks, the escalation between Iran and Israel, in which the USA also got involved, added to the global tension. For the global economy, this is an even bigger problem than the Russian-Ukrainian war. The consequences for the transaction market will come in the second half of 2025 and it is not looking good.

Bain & Co reports on private capital funds that there has been a slight fall in accumulated capital from the 3.9 trillion dollars at the beginning of the year. In 2024 PE funds managed powerful investments but raising capital from the markets decreased. The big picture has remained the same - a lot of money is waiting to be invested and many companies have remained under fund control clearly beyond the fund maturities. Investors are waiting to get their money back but the funds are unable to do this and are extending the deadlines. This means that there is pressure for transactions, if only the future were more easily predictable, then the sellers and buyers would have more aligned ideas for company pricing.

In 2025 we counted a total of 39 venture capital/technology transactions, 6 major real estate transactions, 8 emissions (incl. over-the-counter) and 43 traditional mergers and acquisitions (M&A deals) (96 in total).

Estonian economy, which still grew in the fourth quarter of 2024, experienced an unexpected backslide in the first quarter of this year. According to recent data, the growth of commodities trade in Estonia has also slowed down. The European outlook is also tense. The 20+ percentage economic growth in Ireland is puzzling in a situation where the average economic growth of the euro area is 1.5% and Croatia with its silver medal is showing a 3.1% growth. It can still be said that in addition to Ireland, Europe is being led by southern countries, such as Greece, Spain, Cyprus, Malta and Croatia. Outside the euro area Denmark has had a 3.7% growth and also a very interesting M&A market where following in the steps of Novo Nordisk, also Roche, AbbVie and Gilead bought companies at the beginning of the year.

GDP



Two of the biggest global transactions in the first half of the year happened to be concluded in Europe.

OMV (Austria) and ADNOC merged the oil chemistry business and also bought Nova Chemicals (transaction value 13.4 billion dollars). Borealis is a known trademark form this transaction. The second mega transaction is the relatively rare hostile takeover process currently underway in Italy (although the offer has been rejected at this time), where Banca Monte dei Paschi di Siena is trying to acquire Mediobanca (transaction value 13.2 billion euros).

The heat chart of the Mergermarket EMEA transactions shows that there are still only two hot zones regarding the number of transactions - the UK and Irish technology transactions and the industry and chemistry transactions in German speaking countries. The rest of the map unfortunately remains lukewarm.

The remaining major transactions, exceeding 10 billion dollars, are US focused. The biggest transactions in the semester were the merger of Charter Communications and Cox Communications (transaction value 34.5 billion dollars) - the mobile and broadband connection and digital entertainment services sector. The second largest transaction was Google’s acquisition of cyber security company WIX for 32 billion dollars.

The values of these mega transactions are similar to those from last year, such as the acquisitions of Mars & Kellanova or ConocoPhilips.

Energy is still the hot sector. Four of the transactions exceeding the ten billion dollar mark were done in the energy sector. In Estonia, a good example is the 12-billion acquisition of NRG Energy (LS Power Assets).

The hottest transaction of the previous half-year in Estonia and the Baltics was without a doubt the acquisition of the RIMI chain by Salling Group. In addition to the size of the transaction, it was a remarkable transaction at a time when speculations over the courage of foreign investors to invest in this region, or lack of courage, have been discussed a lot in media and society.

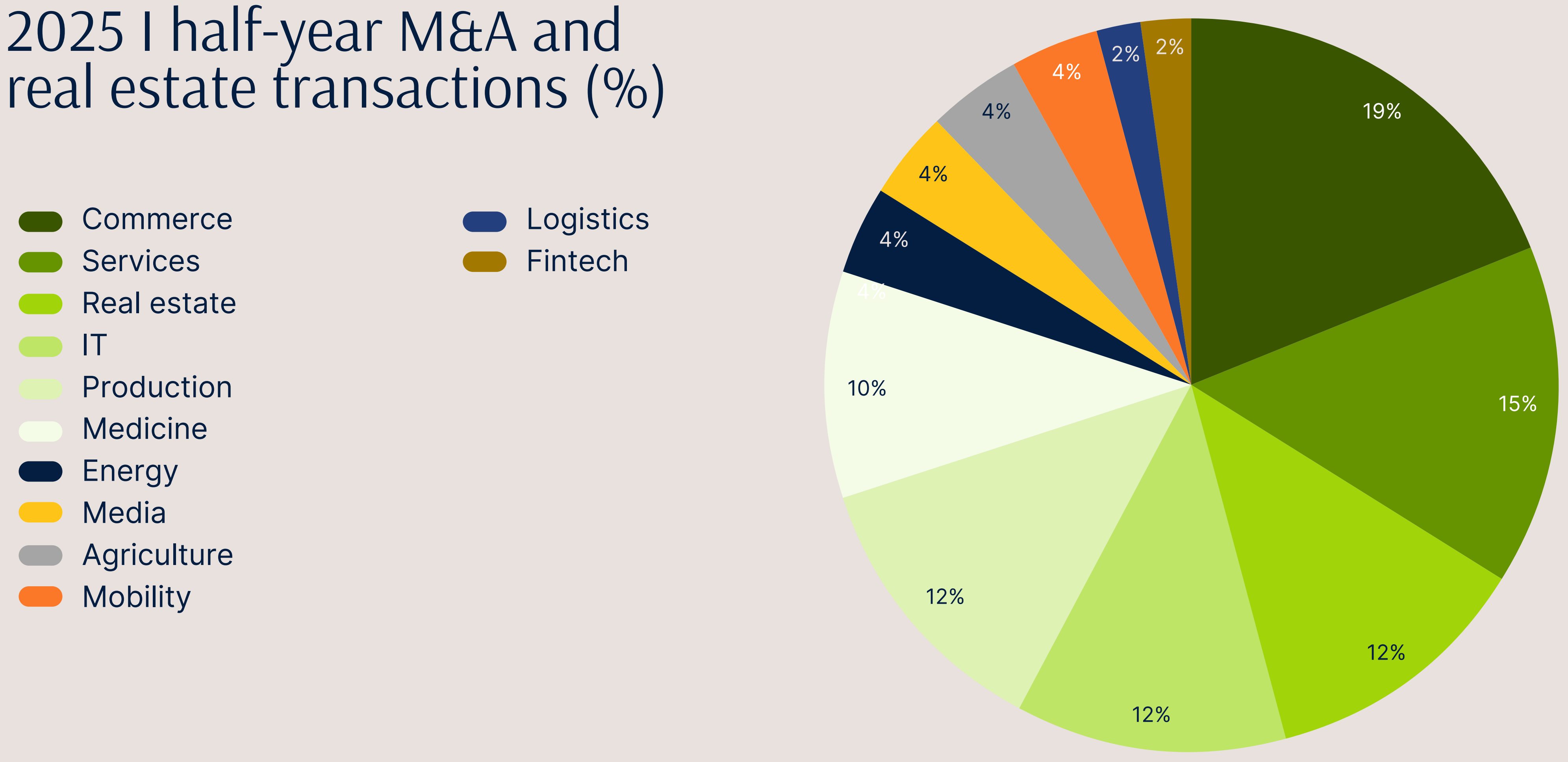
The noteworthy capital raisings in the technology sector in the first half of 2025 were Pactum AI (47 million euros), Blackwall (45 million euros), Stargate Hydrogen (11 million euros) and Ultra (10.8 million euros). The more active sectors were energy technology, cyber security and defense industry sectors. Money was also raised from the agriculture to entertainment technology sector. But compared to previous years, the market was not overly active.

What to predict for the future?

It is difficult to say something drastically new in addition to my previous predictions. A few weeks ago I would have said that once the tariff storm calms down, all other indicators are either neutral (inflation, interest) or favourable (plenty of excess money, company shareholdings held beyond fund deadlines, accumulated natural reasons for transactions, such as changed focus, age, health) for transactions. Now, unfortunately, it must be said that the Iran-Israel conflict together with the USA's intervention has brought instability at a completely new level. This is bad for transactions. So, at the moment, it is impossible to predict an active transaction market for the second half of 2025. And this is regardless of the fact that the world PE and VC funds are still full of money and need to start investing, while selling the companies they have held in the portfolio for too long.

Optimism is a nice thing to have but the reality is that we are facing a world full of unknown and this is turn postpones major (transaction) decisions.

2025 I half-year M&A and real estate transactions (%)



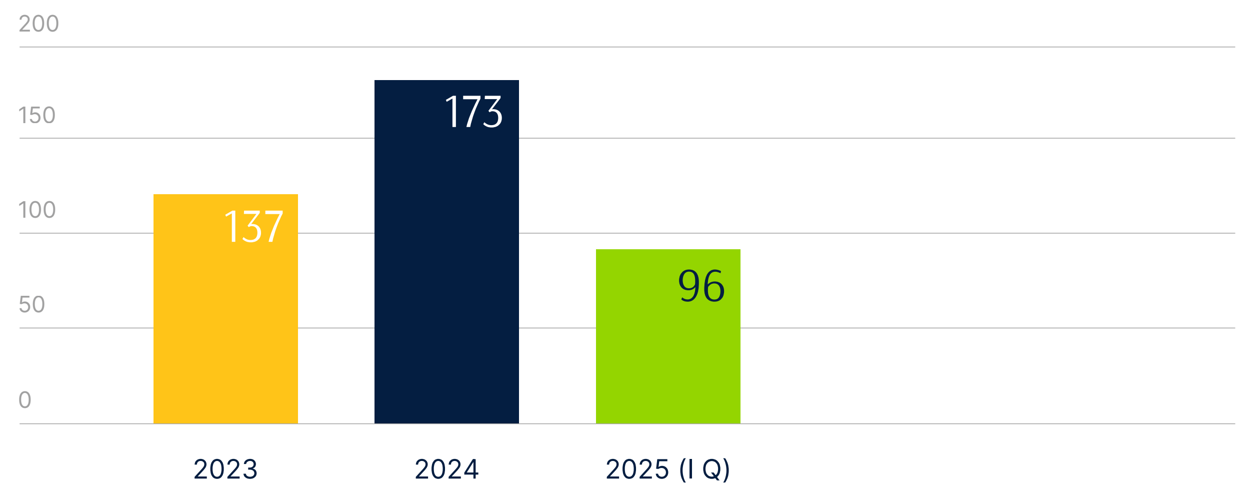
Noteworthy M&A transactions in Estonia in the first half of 2025:

- Rimi & Salling Group – largest transaction, noteworthy in terms of the courage of foreign investments
- Buyout of Enefit Green from the exchange - important for many Estonians who were shareholders
- Acquisition of Viggo by Bolt in Denmark - Estonian company doing big things abroad
- Acquisition of Medicum and MCS Itera by Livonia - private equity is active
- Toftan selling its production to Combiwood and forest portfolio to Metsavennaskond - foreign capital exiting, Estonian capital buying
- Infortar bought Estonia Farmid
- Bregal Milestone is buying Ridango - Estonian technology sector exit (there were more of these actually, Parcelsea, Fiizy, Adact, Clevon)

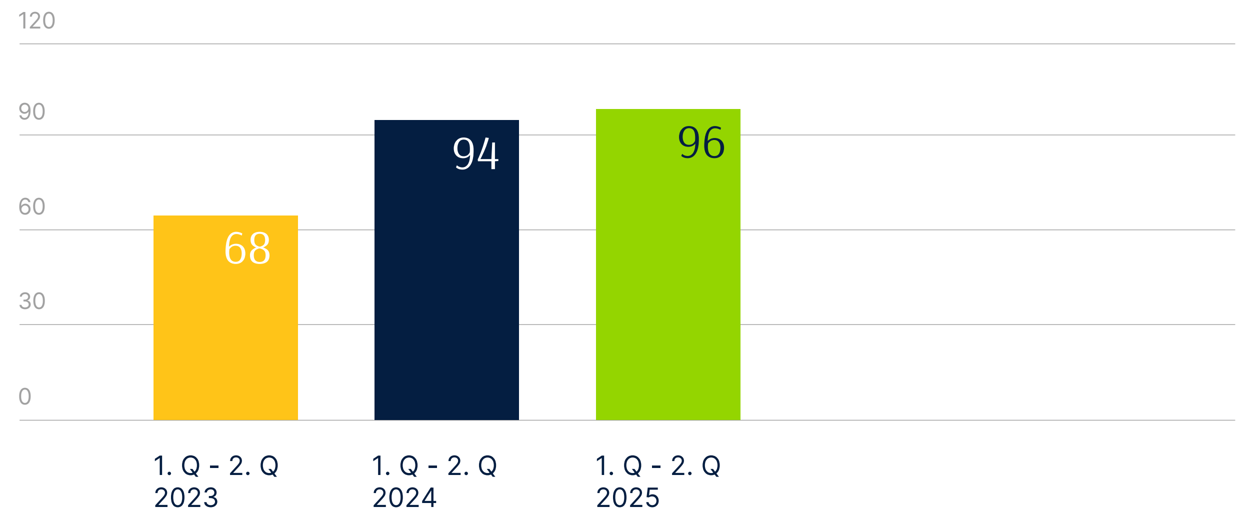
Top global transactions in the first half of 2025:

- Merger of Charter Communications and Cox Communications - 34.5 billion dollars (communication and entertaniment)
- Acquisition of the cloud security platform Wiz by Google - 32 billion dollars (cyber security)
- Acquisition of global innovator of retail pharmacies Walgreens Alliance by Sycamore Partners - 23.7 billion dollars (retail, medicine)
- Acquisition of international port operator Hutchinson Ports Holdings by BlackRock-TiL Consortium - 22.8 billion dollars (logistics)
- Merger of Charter Industries and Flowserve Corporation - 19.5 billion dollars (engineering)
- Acquisition of Calpine by Constellation Energy - 16.4 billion dollars (energy)
- Acquisition of Intra-Cellular by J&J - 14.6 billion dollars (medical industry)
- Acquisition of the Global Payments Issuer Solutions business by FIS - 13.5 billion dollars (finance)
- Acquisition of Nova Chemicals by OMV and ADNOC - 13.4 billion dollars (chemical industry)
- The takeover bid by Banca Monte dei Paschi di Siena* – 13.2 billion euros (banking) * as at June 2025 the transaction is pending (source)
- Acquisition of LS Power assets by NRG ENERGY - 12 billion dollars (energy)
- Acquisition of TNXM energy by Blackstone Infrastructure - 11.5 billion dollars (energy)
- Acquisition of Beacon Roofing Supply, distributor of roofing materials for commercial and residential property, by QXQ - 11 billion dollars (construction materials)
- Acquisition of the digital flight solutions of Boeing by Thoma Bravo - 10.55 billion dollars (IT)
- Merger of Whitecap Resources and Veren - 10.43 billion dollars (energy)

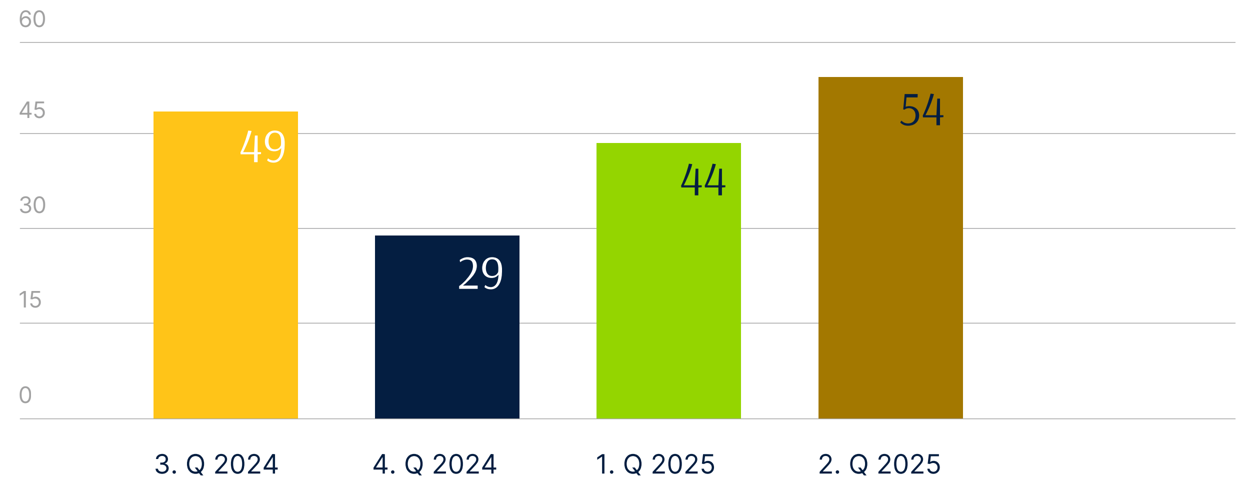
Total number of transactions (2023-2025)



Total number of transactions in the I half of the year (2023-2025)



Total number of transactions in the last 4 quarters



Hidden risks of transactions: impact of IT, data protection and artificial intelligence

Merlin Liis-Toomela, Head of data protection and IT law | Ellex in Estonia

In today's transaction environment it is no longer possible to overlook the role of IT systems, data protection and cyber security in transactions being a success. These issues are no longer solely the problem of IT managers or lawyers and are critical business aspects that have a direct impact on the transaction value and its success.

Buyers and investors analyse more thoroughly the state of the IT structure of the target company, whether personal data processing complies with the applicable legal acts and what the possible cyber security risks are. If it becomes apparent that data protection is insufficient, there are no risk assessments or outdated IT systems are used, it is often reflected in the transaction value. So the success of a transaction requires the management to give attention to digital foundations already before any transaction plans are made. Well-documented IT systems, up-to-date data protection and information security procedures and well-considered risk assessments are part of a professional management culture that provides investors with a feeling of security.

Looking ahead, it is also increasingly more important how the company is prepared to respond to new regulations (such as the EU's AI regulation, NIS2, DORA etc.). These require transparency, risk mitigation and a systematic approach to the use of technologies. The effect of security incidents cannot be underestimated either - the existence or lack of previous and actual incidents could affect the transaction terms or even cause withdrawal from the transaction.

Although the development of technology will enable to automatize many parts of the transaction process in the future, today in Estonia, AI does not have practical applications in due diligence audits. This is because of the small size of our market, language barrier and specific nature of the Estonian legal environment which limit the applicability and benefits of current AI solutions in this area.

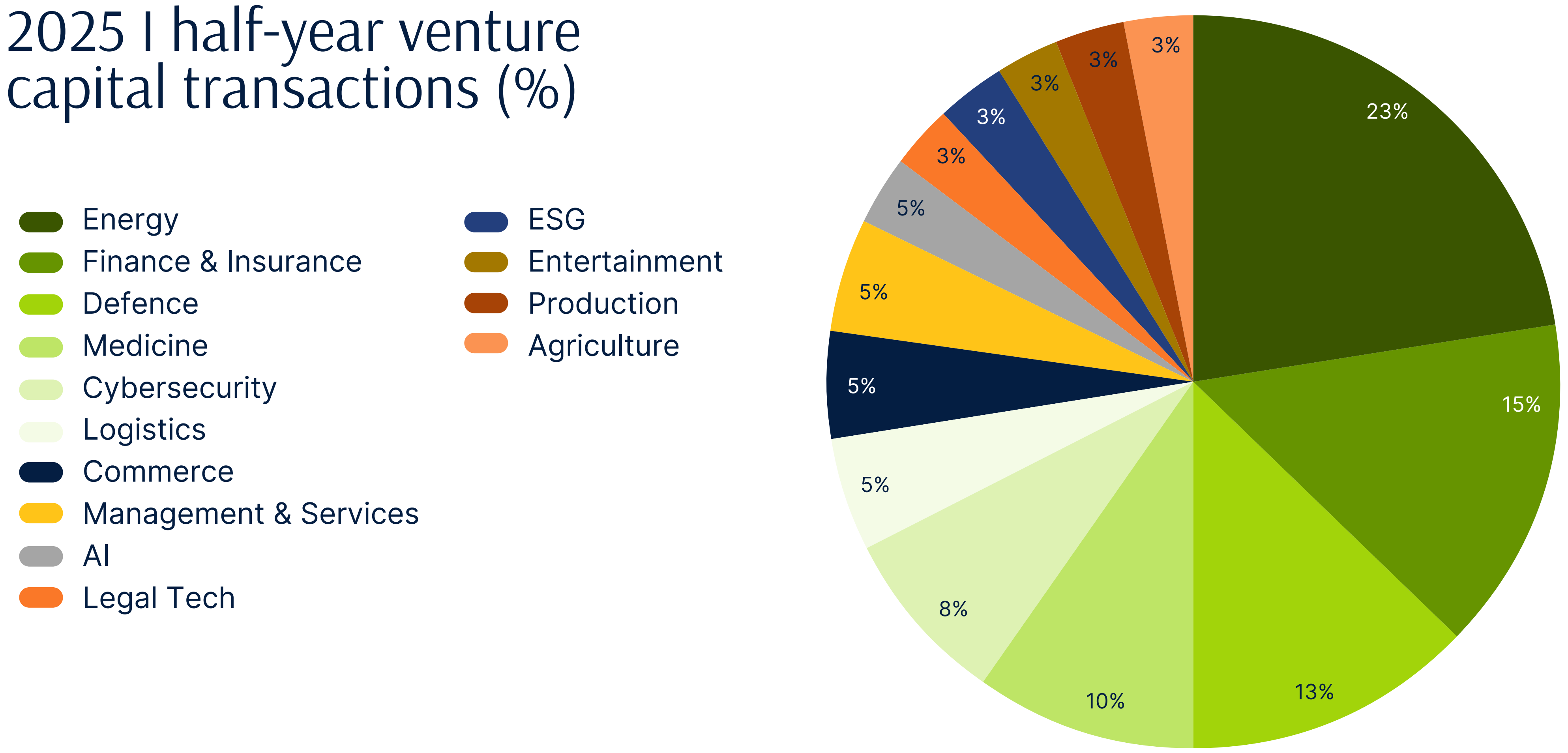
In summary

We can clearly see that the success of a transaction does not depend solely on financial indicators or the market position but more increasingly on how IT risks have been managed and compliance with data protection regulations ensured. A technologically sound and legally transparent company is always a more attractive transaction target.

Noteworthy venture capital transactions in Estonia:

- AI-based autonomous negotiations platform Pactum AI raised 47.34 million euros
- Blackwall raised 45 million euros to protect companies from malicious web traffic
- Stargate Hydrogen raised 11 million euros in series A funding to expand the production of precious metal free electrolysers
- Ultra raised 10.85 million euros to take the gaming industry to a new level
- Estonian fintech company Hoovi raised 8 million euros
- Estonian defence industry start-up Wayren raised 7.8 million euros to develop new generation battlefield systems

2025 I half-year venture capital transactions (%)



Estonian tax authorities continue to tighten tax controls

Dmitri Rozenblat, Counsel | Ellex in Estonia

In the context of the budget deficit that has developed in Estonia, the government, in addition to wide tax increases (the exploitation of which has obvious political limits), is also increasingly clearly contributing to tightening tax control measures.

Thus, the Tax and Customs Board's policy on conducting tax audits has become noticeably stricter in recent months. And not only in terms of the procedural actions or procedural tactics used during tax audits. The tax authority is trying to intervene more and more vigorously in the so-called "gray area" situations, such as disguised employment (in Estonian - “OÜ-tamine”), as well as to expand its reach in situations that have so far been accepted as tax-neutral in both administrative and judicial practice.

As far as disguised employment is concerned, there has been information in the media about the initiation of criminal proceedings against several large employers in connection with alleged disguised employment, i.e. a situation where, in order to optimize employment taxes, employment contracts are replaced with service contracts concluded with employees' personal companies. Since in the case of disguised employment, taxation with labor taxes depends on specific circumstances and each case must be assessed separately, a tax liability may not always arise (e.g., in certain cases, it may qualify as regular provision of service in the course of the company's business). While previously, upon noticing a potential disguised employment situation, the tax authority would send out reminders to taxpayers asking them to review the situation and, if necessary, change their tax behavior, now in a similar situation it has been considered justified to initiate criminal proceedings - a clear sign of tightening tax procedures, which is most likely due to the need to streamline tax procedures and ultimately bring additional funds to the state budget.

However, while in the event of disguised employment the Tax and Customs Board can at least rely on Supreme Court decisions, it is significantly more worrying that the tax authority is attempting to change the tax approach in situations that have been thoroughly debated in the courts in the past and for which there has been a general consensus for almost twenty years that they are tax neutral. We are talking about situations where, immediately before a sales transaction, assets belonging to a private individual are transferred to a company, with the aim of postponing the individual's capital gains taxation.

In previous case law, the Supreme Court has repeatedly confirmed (in the cases of Sylvester, Hansapank, etc.) that, due to the peculiarities of the Estonian corporate income tax system, such asset transfer transactions must be considered permissible and tax-neutral ways of tax optimization. Namely, Estonian tax law allows for the tax-neutral transfer of assets to a company and the reinvestment of the proceeds from the sale transaction in such a way that the income tax liability arises only when the company distributes the profit. The law has not changed in this regard since the Supreme Court decisions.

More puzzling is the increasingly clear attempt by the tax authorities to change the established practice by taxing the above-described situations as transactions carried out by a private individual with the aim of obtaining a tax advantage. The tax authorities' position, as if the provisions to fight tax evasion, which have been established in a slightly broader form in recent years, provide a basis for such a change in practice, does not stand up to criticism.
Despite the strong opposition with which market participants have demonstrated against the tax authority's announced change of course, the Tax and Customs Board is apparently continuing its efforts to change the practice. The tax authority is reportedly already working on several cases of real estate having been transferred to a company before its sale. Apparently, some of these matters may end up in court as a test case.

The above-described trends significantly undermine the credibility of the Estonian tax system and are clearly worrisome. In any case, market participants must be careful when planning transactions and consider the increasingly strict administrative practices of the Estonian tax authorities.

First half of the year on the public stock exchange: delisting of the people's share, expectation of guaranteed return

Gerli Kivisoo, Partner | Ellex in Estonia

A remarkable development in the first half of 2025 was the voluntary takeover offer by Eesti Energia AS to all the shareholders of Enefit Green AS. The offer was made to all the shareholders of Enefit Green AS to sell their shares, in return for a reward of approximately 27% compared to the stock market price. The offer was successful as the offeror acquired an additional 20% shareholding in Enefit Green AS, which increased the shareholding of Eesti Energia AS in Enefit Green AS to 97.2%. Unfortunately, this means the delisting of Enefit Green AS from Nasdaq Tallinn Stock Exchange. Enefit Green AS held its general meeting after Midsommer, discussing among other things the takeover of minority shares for a monetary compensation and terminating the admission to trading or simply put the delisting. Media has called this transaction the reversal of the greatest investment party in Estonia, which in a sense is true. The IPO in 2021 had a record number of investors - nearly 60,000 investors purchased shares in the course of the initial public offering. In this sense, while understanding that Eesti Energia AS has compelling reasons for this move, Enefit Green AS leaving the stock exchange is a pity because the stock exchange will be poorer for it. However, with its listing, Enefit Green AS taught the Estonian investor community an important lesson - many retail investors learned what a securities account is, how to open and use one, how to make profit on an investment but also what the power of the majority shareholder over a sovereign issuer means. This path is now trodden and hopefully the securities accounts will not remain empty even after Enefit Green AS is delisted.

While preparing for the delisting of Enefit Green AS, Eesti Energia AS organised a public bond issue which had a base volume of 10 million euros and which was oversubscribed nearly 9 times. A total of 4715 investors participated in the offering. The final amount was 50 million euros. There were two more public bond issues in the same timeframe - Everaus Kinnisvara AS has 1601 investors participate in its 5-million-euro bond issue and Invego Latvia OÜ's issue with a base volume of 4 million euros was oversubscribed 4 times. In all these bond issues the demand was greater than the supply, meaning that there was great interest and readiness to invest in bonds in the first half of the year.

Meanwhile, interest in the shares of Primostar Group AS, an issuer in the alternative market First North, remained modest. Primostar Group AS offers white tank waterproofing systems for underground concrete structures and has a well-proven business model and a solid track record. We could ask whether it was due to the retail investor not understanding why induced concrete cracks are better than random cracks or because retail investors are suspicious of equity instruments and alternative market instruments. There is no way of telling what the ultimate truth is. Personally, I would suspect the latter - market trends indicate that retail investors are currently looking for a secure and safe return, which they believe bonds to offer. A bond as an instrument should indeed guarantee that an investor gets their initial investment back with a fixed return. This of course is the case in an ideal world where business is blooming and the risks associated with the issuer do not materialise. The other issue is the First North alternative market as such - retail investors seem to be a bit suspicious of it because quite a few issuers have exited for different reasons without generating the investor any profit. In reality, the market is not to blame, the market is merely a trading venue which is subject to specific rules. A specific trading venue's effect on the success or performance of an investment is rather small.

The above raises the question of investor awareness. At the end of last year, several changes were made in the securities market law on the EU level, with the primary objective of facilitating access to the public securities market. In practice this mainly means the simplification of the documentation that has to be drafted. This should result in a smaller burden for the issuers regarding the drafting of public offering documentation, meaning that the volume of documents should in all likelihood decrease. In my opinion, this is the right direction - it is a fact that the retail investors will not read hundreds of pages of materials, not to mention analyse it in depth and compare with other instruments offered on the market. This is humanly understandable - there is hardly anyone with that much resources and time. In this light it would be great if the documentation had more concentrated substance - voluminous warnings and risk descriptions are relevant and correct but often feel like wallpaper. The key point might get lost in the midst of it all - the focus should be on what directly concerns the investment - the terms and conditions of the specific instrument, what generates returns and what could threaten it. More important than geopolitical and tax risks is the issuer itself, its business and managers. If the simplification of documentation results in focusing once again on what actually matters, the fear of a particular instrument or market would be smaller. And the decision to invest actually more conscious. This would invigorate the market and fill the gap left by Enefit Green AS.

First half of 2025 in merger control: no shake-ups and war stories to tell

Martin Mäesalu, Partner | Ellex in Estonia

The first half of the year saw a higher number of merger notices compared to the previous year but unlike in some earlier years, we are yet to witness any remarkable developments or groundbreaking cases. It could be said that no news is good news. Merger supervision generally follows a clear procedure, although some surprises every now and then are possible. However, unlike in Lithuania, the obligation to file a merger notice does not usually raise the blood pressure of the related parties in Estonia.

Statistics: merger notices and decisions 2025

According to the Competition Authority, about 20 merger notices have been filed and 21 merger decisions made as at mid-June 2025. This indicates slightly higher activity than last year. Cases so far have been regular and no problematic notices have been detected. There are no specific high profile cases to highlight.

Three additional proceedings or phase II investigations have been initiated so far, which instead of the usual 30 days could take an additional four months and up to two more months if undertakings are offered. It is questionable whether these three cases have an actual impact of distortion of competition. Longer proceedings have been probably initiated only to collect additional information which could not been done in the usual 30 days.

Duration of proceedings: predictable but delays in certain periods are observed

The duration of merger proceedings can still be predicted quite well - easier cases are still resolved during the initial 30-day review stage. While quicker solutions were more common previously, with approvals granted even within 2-3 weeks from the filing of the notice, this does not tend to be the case anymore.

The Competition Authority might have slower proceedings in some periods due to having less resources. So far the delays have not been critical though and the timeline has remained reasonable and the period to reach the decision predictable.

Thresholds below market reality?

The turnover thresholds applied in merger control in Estonia - 6 million euros as the joint turnover threshold and 2 million euros turnover for at least two participants - has essentially not changed since 2006. The consumer price index has increased 115% since then. The Estonian GDP has increased more than three times. The growth of economy makes these numbers proportionally smaller and smaller and in practice, they are below the market reality. As such, most transactions need to be reported to the Competition Authority even though they can not significantly affect competition in any way. The notification thresholds in other Baltic countries are also significantly higher, especially regarding the joint turnover threshold.

The Competition Authority has referred to granting so called call-in powers for transactions as one new option. This would mean that the authority could in certain cases intervene also with mergers that do not exceed the turnover thresholds but could still have a significant impact on competition. A similar call-in method is currently in use in Latvia and Lithuania. About ten other EU countries have similar powers and several countries, including Belgium, the Netherlands, the Czech Republic, Greece and Finland, are currently considering this option. The Finnish Competition Authority has been very eager to speak about this in order to supervise transactions that “fly under the radar”, such as in the technology and pharmacy sector. Meanwhile, Lithuanian regulation is somewhat of a cautionary tale where the call-in powers have in practice significantly challenged transaction security. This could in turn have a negative impact on general economic activity. No debate has been held on this in Estonia yet. But there is no escaping this discussion in the future.

Foreign investment screening does not have an important role in the regional transactions

The foreign investment screening system has been implemented in Estonia for nearly two years now, with the Consumer Protection and Technical Regulatory Authority (CPTRA) assessing investments by non-EU investors in certain sensitive sectors. Compared to many other EU member states, the implementation of this mechanism in Estonia has been smooth so far and without much trouble. In 2024 the CPTRA issued only 5 foreign investment approvals, whereas in none of the cases the investment was found to be a threat to national security or public order (in comparison, about 1200 notices had been submitted in Sweden by November 2024).

Of course there are much more questions about the rules. The companies dealing with the FDI regime are mostly US private capital investors. The questions mainly concern companies related to the defence industry and especially to dual use technologies/goods. Less explosive sectors that raise questions are primarily the companies engaged in the energy and district heating sectors.

The scope of the FDI regime was recently expanded to include a wider circle of critical service providers. It is too soon to evaluate the impact of this change because the global economic effects in in 2025 have probably reduced the number of transaction which might raise this question.

Estonian transaction market in the first half of 2025

Sven Papp, Partner | Ellex in Estonia

Data on the Estonian transaction market in the first half of 2025 is somewhat controversial as is the data about Estonian economy in general.

The Bank of Estonia foresees a 1.5% economic growth for this year and 2-3% for the next two years. However, economic growth as at the first quarter of 2025 was unfortunately negative at -0.3% compared to the first quarter of 2024. Wage costs and other production costs continue to rise and together with tax increases, the price increase in Estonia is expected to be at 5.4% in 2025. Given the recent news about the expected oil price increase up to 130 dollars a barrel, the production costs and prices are likely to keep going up. The recent decision of the government to abandon the objective of covering the country’s energy consumption fully from renewable energy by 2030 promises some commotion in the renewable energy market. As energy prices affect the competitiveness of nearly all the sectors, it would be difficult to expect the state of the Estonian economy to improve significantly in 2025 and for the transaction market to pick up. US customs do not have an overly large impact on Estonian economy but in combination with the difficult global geopolitical situation in the world, global insecurity has a quite significant negative impact also on the Estonian business environment and thereby the transaction market.

So I would not dare to predict anything too good for the Estonian economy and transaction market for 2025 but I also do not foresee anything bad - both are likely to continue at more or less the same level as in 2024 and we will unfortunately have to wait until 2026 or even 2027 for the economy and transaction market to recover.

Some keywords to characterise the Estonian transaction market in 2025 so far:

1. **Price differences.** It is difficult to evaluate companies in a complicated and uncertain environment and so company valuations tend to remain in the lower rather than the higher end of the price scale. This has caused a situation where sellers do not want to sell their companies “for a cheap price” and the buyers do not see any reason to pay a higher price for companies at this time. At the moment, it seems that due to these price differences, we see less transactions in the market than we would like to. The same trend can be seen elsewhere in Europe.

2. **Transactions “put on hold”.** The preparation and negotiation time for transactions is longer than before. It is clear that an agreement is not always reached regarding transaction terms and the transaction is never concluded. A new phenomenon that we have recently witnessed is some transactions being “put on hold”, meaning that negotiations are stalled for some reason but the parties are in no rush to declare the negotiations as finished. And so some transactions remain in a limbo or on hold. Some transactions that have been put on hold are concluded after the break but some never are.

3. **Lack of investment alternatives.** Company owners have been complaining that they could sell their companies but there is no equally profitable company where they could invest the money. There would definitely be greater choices to buy new companies if the above problems did not already exist.

4. **Continued possibilities for local capital.** In turbulent times, local investors have a certain advantage in making investments because they feel slightly more confident in the local “turbulence” and are prepared to take greater risks than foreign investors. In 2025 we will definitely see transactions similar to the sale of the Kristiine shopping centre to a consortium of local investors led by Eften or the sales of Port Artur and Ülemiste shopping centre, as well as the sale of Flexa to Lemeks or the sale of shareholdings to the management, as was the sale of shareholding in TREV2.

5. **Foreign capital is not leaving Estonia.** Although we listed examples above about foreign capital selling its shareholdings in Estonian companies to Estonian investors, according to the statistics of the Bank of Estonia, there are no signs of a decrease in the number foreign-owned companies in Estonia. In 2023 the volume of foreign direct investments in Estonian non-financial companies reached 69% of the GDP. The European Union average is 38%.

6. **Estonia still attracts foreign capital.** The volume of new direct investments into equity in Estonia has remained stable over the past years: 384 million euros in 2022; 424 million euros in 2023 and 323 million euros in 2024. We expect this trend to continue in 2025.

7. **“Hot sectors” for investments.** The hot sectors for investments are AI and cyber security, IoT and technology in general. Some fund managers have already declared that they will not invest in companies that do not use artificial intelligence. It is interesting to note that the possibilities offered by AI have become widely used also in analysing and evaluating the status of companies.

8. **Defence industry.** This sector is worth a separate mention because the ongoing wars and re-armament has brought it into daily focus. There has been a lot of talk about this in Estonia as well and we have our own examples - Milrem Robotics, Defendec, Frankenburg, Threod systems, Marduk, Rantelon, etc. However, it must be noted that it is a complicated sector with tight competition and an investment of a few hundred million euros is still marginal. When scaling your business in this sector, it is important to pay great attention to the buyers of the production in this sector and the procurement process for selling the production. Unless your product is something that “does not have analogues”, it could easily happen that armaments buyers choose the competitor’s product and this pretty much closes your market.

The saying goes that it is easier to catch big fish in muddy waters but that is not the case in economy and business. In turbulent times it is difficult to determine the “correct price” of a company that would satisfy the buyer and seller and it is also difficult to predict future prospects. For the transaction market to pick up again, we need predictability and stability. Unfortunately, 2025 is not giving this to the extent that we need and we have to count on 2026/2027.

We advise on matters concerning public and private sector mergers and acquisitions.

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