

Baltic companies willing to acquire business rather than sell it

Despite the turmoil in the global financial markets, the number of companies in the Baltic States which are considering expansion through acquisition of other businesses or their parts next year is even 1.5 times larger than the number of those opting for sale of their own business.

Such trend was revealed by the first M&A market research in the Baltic States conducted by law firm SORAINEN jointly with the business dailies Äripäev (Estonia), Verslo žinios (Lithuania) and Dienas bizness (Latvia).

Based on their data a half of the respondents (50%) are considering an acquisition of a business or its part, and even 19% of them have specific plans in that respect. "It shows that more and more companies in the Baltic States are analysing acquisitions as a business development method and are not confining themselves only to the strategy of natural growth," Toomas Prangli, regional head of SORAINEN's M&A and Private Equity Team notes. "Furthermore it is interesting to see that Estonian companies mostly look towards Latvia and Lithuania with their acquisition plans, while companies in other Baltic countries think more about acquiring local companies."

Meanwhile 10% of the companies have specific plans of selling their business or its part and 26% of the companies would consider opting for sale, if they received an attractive offer. Mostly small companies with the annual turnover of less than EUR 5 million are considering selling their business or its part.

According to Mr Prangli it may be explained by two factors. "Since this tendency is significantly stronger in the segment of smaller companies, it is likely that owners of small businesses are seeing the sale as an opportunity to realise a value of the company by transferring their business to financially stronger market players. On the other hand, it might be regarded as a business culture shaping in the Baltic States where a promising business is developed and later sold, or financial investments are attracted for the business expansion," Mr Prangli explains.

In his view the fact that companies in the Baltic States are quite active in considering acquisitions as a development method predetermines market consolidation in certain sectors. Mr Prangli further maintains that the substantial number of companies ready to opt for sale or to attract investors allows expecting active business in the M&A market next year as well.

The M&A market research of the Baltic States was conducted in September – October in Lithuania, Latvia and Estonia by polling approximately 150 companies operating in various business sectors.