

BCG Transform & Special Situations Index 2024 -TSS Index-

The Nordics: Denmark, Finland, Norway, and Sweden

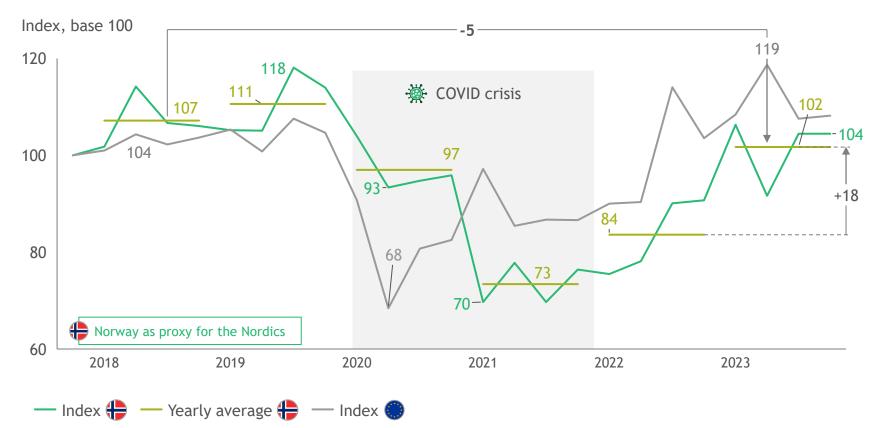




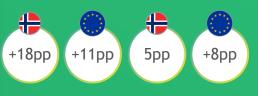
+18pp in insolvencies over last year, below pre-COVID level and European average

Insolvency filings: Q1 2018 through Q4 2023

Indexed development of the number of insolvencies (2018 at 100)



^{1.} For Norway, Sweden, Finland, and Denmark.
Note: Differentiated trends (insolvency and COVID support) within Nordics countries is not highlighted in this material.
Sources: Eurostat; International Monetary Fund; BCG analysis.



insolvencies 2023 vs. 2022

insolvencies vs. pre-COVID period

- Nordic governments' liquidity support during the COVID-19 pandemic (8% of GDP1), on a par with European average (7% of GDP), smoothed insolvency pressure over 2020 and 2021
- > End of governmental aids, inflation, and proximity with geopolitical conflicts in the area suggest increased pressures for next years (insolvency level at highest in decade for Sweden, Finland, and Denmark)

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Continuing macroeconomic headwinds suggest that transformation and restructuring pressures will stay strong in the next 24 months

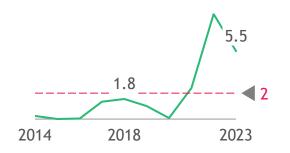


Inflation more than doubled vs. pre-COVID

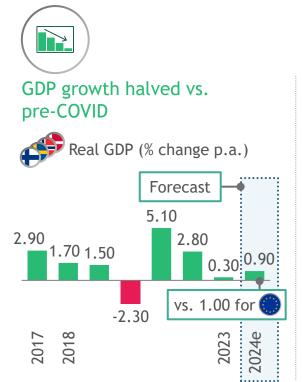


Consumer inflation (%)

-- 10-year average, 2014-2023





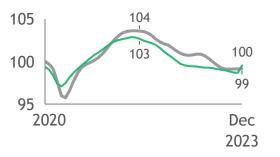




Business confidence decreasing



- Business confidence Nordics¹
- Business confidence index EU





Geopolitical instability: conflicts and tensions in Eastern Europe, Middle East, and Asia; >50% of worldwide population electing new government in 2024



Energy transition, demographic challenges, public spending, NOK/SEK vs. EUR, proximity with Eastern Europe conflict

Note: Latest data available as of March 13, 2024.

Sources: Eurostat; European Central Bank; Oxford Economics; OECD; BCG analysis.

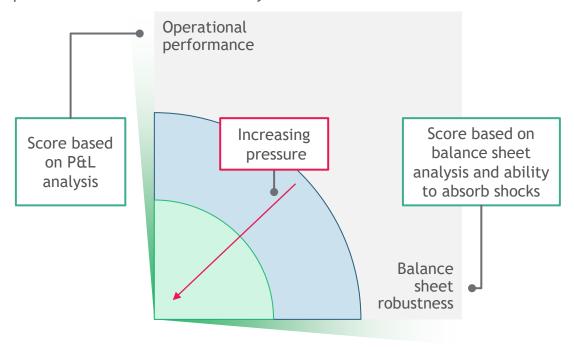
^{1.} Average of individual country index.

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BCG Transform and Special Situations (TSS) Index identifies companies showing signs of weak operational performance and undercapitalization

1 Transformation and restructuring pressures by sector

Assessment of about 2,000 European public companies and analysis of 12 performance and financial stability KPIs



2 Forward-looking view

Assessment of sector dynamics based on AI-powered sentiment analysis and insights from sector experts



Al-powered sentiment analysis to synthesize insights from market and company documents (including earnings calls transcripts) and all publicly available materials



Targeted in-depth interviews with industry experts



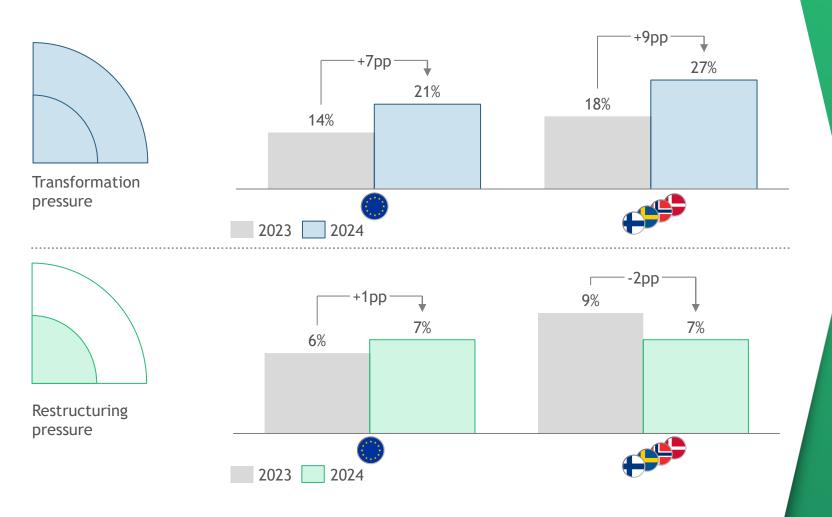
200+ European executives surveyed on their perspectives, priorities, and challenges for 2024

Transformation pressure Restructuring pressure

Note: Transformation pressure—initial signs of weakening operational performance and financial stability require optimization. Restructuring pressure—clear signs of weak or negative operational performance and undercapitalization require more structural steps to recover.

Source: BCG analysis.

Significant uptick in transformation pressure in 2024, more pronounced than for EU



About 1 in 4 companies face significant transformation pressure in the Nordics

About 1 in 15 companies face significant restructuring pressure in the Nordics

Note: BCG Transform and Special Situations Index is based on share of revenue. Sources: S&P Capital IQ; BCG analysis.

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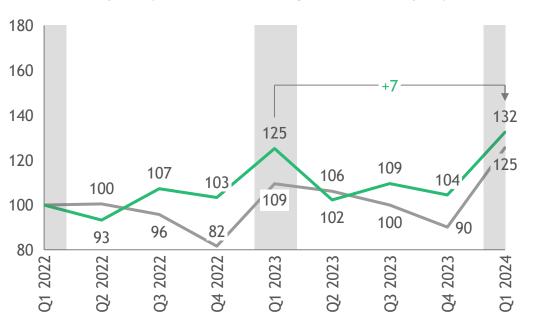
Al-powered sentiment analysis shows transformation topics are currently gaining momentum and above European average

Development of transformation and restructuring citations in public company documents Q1 2022 through Q1 2024, index, base 100 = Q1 2022

Relative frequency¹ of transformation-related company talks

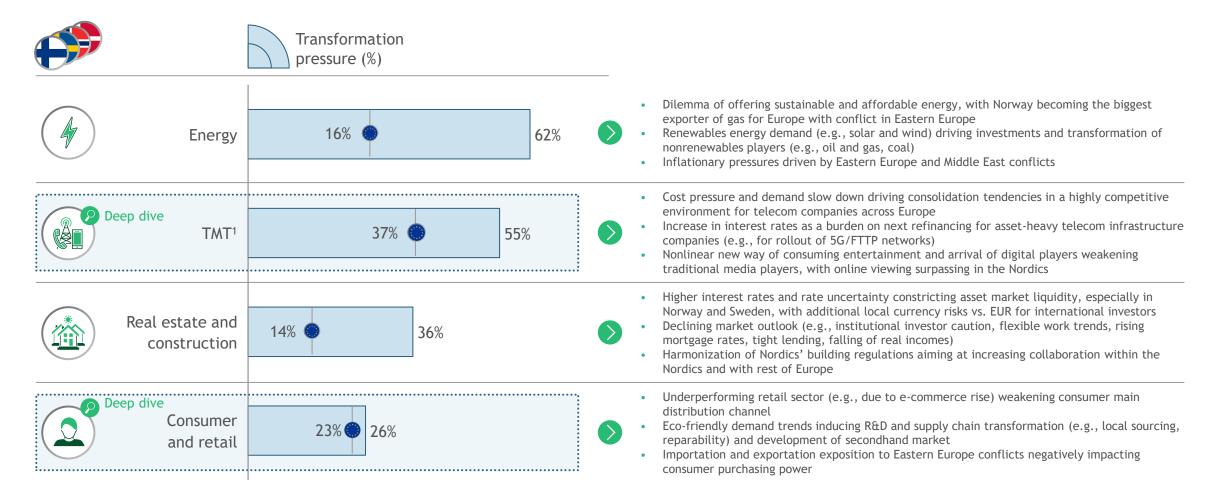


Relative frequency¹ of restructuring-related company talks



^{1.} AlphaSense trend score (based to 100 for Q1 2022), calculated based on all publicly available documents (company documents, research documents, transcripts), smoothed quarterly data. Sources: AlphaSense; BCG analysis.

Among sectors that are under pressure, we spotlight TMT and consumer and retail as facing the more severe headwinds in the years to come



^{1.} TMT = technology, media, and telecommunications.

Note: Sectors with more than ten companies in scope and above European average.

Source: Capital IQ, BCG analysis.

Key figures

55% (vs. 47% in 2023



Transformation pressure

Restructuring and transformation topics²



Top executive views

vs. 34% in

Worried about uncertain economic outlook

vs. 18% in

Worried about human capital and talent accessibility for their company



vs. 10% in

Have margin enhancement as their top priority for 2024



Key trends and challenges in the Nordics

Demand decline

Inflationary pressure on both households' and companies' expenses leading to decrease of media and telecom spending

Risk of commoditization of telecom business driving operators to look for differentiation (e.g., bundling content into unique offering with external partnerships)

Nonlinear consumption of media content inducing sectorial transformation with traditional players/broadcasters losing market share vs. digital players (e.g., eviewing exceeding traditional TV views in the Nordics)

Supply chain disruption

Technological disruption

Al and GenAl game-changing impact:

- Improvement of telecom network efficiency
- Hyperpersonalization of content for marketing/advertising for media players

Continued expansion of connectivity, **5G-enabled** use cases—including autonomous vehicles—and 6G future rollout (from 2030)

Increased cybersecurity threats (e.g., proximity with Eastern Europe conflict)

Cost pressure

Inflation pressure on high fixed cost base (e.g., energy costs for energy intensive telecom networks, labor costs)

Moving from revenue growth to cost avoidance leading to consolidation tendencies in media and telecommunications industries

Debt/financing costs

Increase of interest rates in conjunction with high capex requirements for networks upgrades (e.g., fiber and 5G) or development (buying of frequencies) with unclear return on investment

Separation of telcos into NetCo and ServCo entities to increase attractiveness for investors with major acquisitions in recent years in Norway, Sweden, and Finland

Regulatory pressure

Intent of recent European initiatives (e.g., Digital Markets Act) to limit the dominance of big tech and deter anticompetitive conduct

Enforcement of EU Gigabit Infrastructure Act, first step toward a single market for telecom industry to maintain European competitiveness

1. TMT = technology, media, and telecommunications. 2. Relative frequency of restructuring and transformation topics via public citations. 3. Comparing Q1 2023 with Q1 2024.

Sources: S&P Capital IQ; AlphaSense; BCG analysis and BCG expert views; BCG C-Suite survey 2024.

Consumer and retail

Key figures

26% (vs. 23% in 2023



Transformation pressure

Restructuring and transformation topics¹



Top executive views³

vs. 29% in

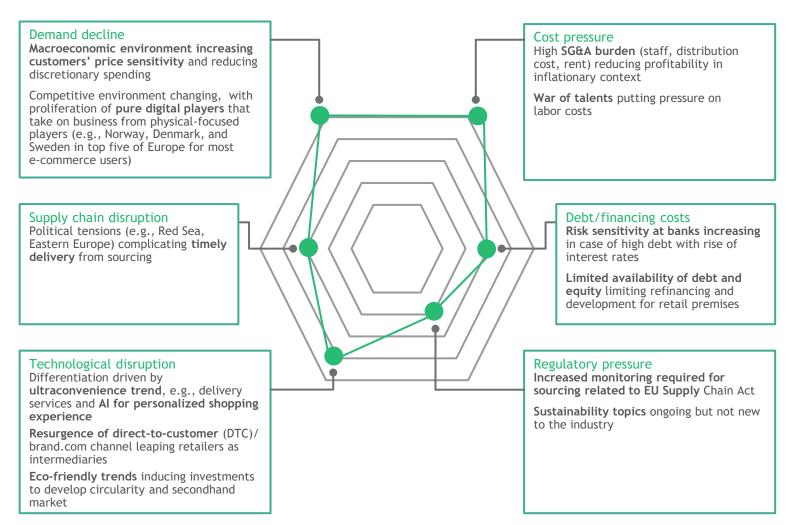
Worried about inflation and rising interest rates

Considering labor cost actions as very important to remain competitive

vs. 14% in

Have volume improvement as their top priority for 2024

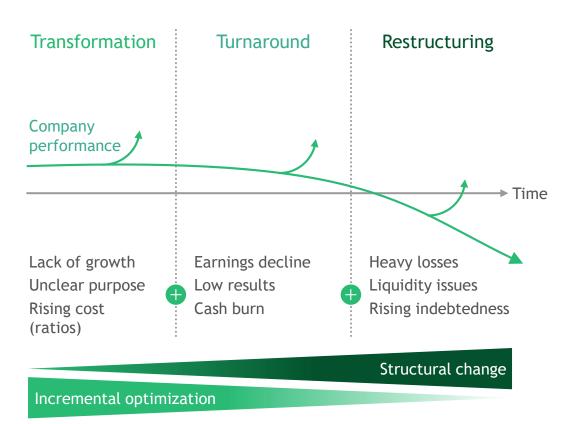
Key trends and challenges in the Nordics



- 1. Relative frequency of restructuring and transformation topics via public citations. 2. Comparing Q1 2023 with Q1 2024.
- 3. Consumer goods, including retail.

Sources: S&P Capital IQ; AlphaSense; BCG analysis and BCG expert views; BCG C-Suite survey 2024.

BCG Transform assists companies for transformation, turnaround, and restructuring



Typical transformation offering



Full potential plan (FPP)

FPP development includes cost efficiency, NWC optimization, and CTO offering



Execution support/ transformation office (TO)

Aligning, monitoring, and steering large-scale transformation programs

Typical special situations offering



IBR/restructuring opinions

Creating new and/or validating existing restructuring programs



Cash office

Establishing 13-week as well as midterm liquidity planning and actively managing cash

Your BCG special situations local experts to assist you along your journey



Mikko Tynkkynen Managing Director & Partner Helsinki



Matthieu Berthion

Managing Director & Partner

Copenhagen



Eetu Isto Partner Helsinki

Source: BCG.



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