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***What Enabled the Rapid Swedish M&A Recovery During
the Covid-19 Crisis?***

*A Qualitative Research Study Regarding the M&A Recovery in Sweden during
2020 Compared to Previous Crises*

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Abstract

The mergers and acquisitions (M&A) recovery after the Covid-19 crisis' outbreak in 2020 is considered remarkably rapid compared to earlier crises as the recovery occurred in *months* instead of *years*. There are several explanations for this but they apply mainly to the global and American M&A market and some are exclusively reasons for the American M&A recovery. The same rapid M&A recovery has been established for the Swedish M&A market but we have, however, not found any studies about the underlying reasons for this. Thus, this thesis highlights two reasons for the rapid M&A recovery on the global and American M&A market that could be *potential* reasons for the Swedish M&A recovery, namely the fact the Covid-19 crisis is a different type of crisis and the rapid implementation due to the new environment companies had adapt themselves to. Consequently, the purpose of the study is to expand existing research regarding M&A activity in crises by providing a study about the remarkably rapid recovery on the Swedish M&A market during the Covid-19 crisis. The chosen method is a qualitative study consisting of interviews with both bidding companies on the Swedish M&A market in 2020 along with professionals within the Swedish M&A field. The findings show that both the fact that the Covid-19 crisis is a different type of crisis and rapid implementation stands as explanations for the rapid Swedish M&A recovery. The first explanation triggered the recovery mainly in terms of access to capital liquidity that resulted in a large focus on the stock market which, in turn, triggered the pressure for growth among companies and, hence, increased engagement in M&A activity. The second explanation triggered the recovery mainly due to the increased focus on digitalization as companies were forced to work remotely but also due to the fact that several companies had time to reflect on their businesses and make strategic changes, such as carve outs or consolidations. However, beyond the two chosen explanations, a main finding for the Swedish M&A recovery is that private capital, such as private equity firms and venture capitalists, appears as a substantial driving factor specifically for the Swedish M&A recovery in 2020.

Keywords: M&A recovery, Covid-19, The IT Bubble, The GFC, Liquidity, Private Capital

Table of Content

1.Introduction	1
1.1 Problem motivation.....	3
1.2 Purpose of the study.....	4
1.3 Research question.....	4
2.Literature review	6
2.1 The first explanation; Another type of crisis.....	6
2.2 A comparison with the Covid-19 crisis.....	9
2.3 The second explanation: The rapid implementation.....	11
2.4 The rapid implementation in 2020.....	13
2.5 Literature summary.....	14
3.Method	15
3.1 Methodological approach.....	15
3.2 Data collection.....	16
3.3 The semi-structured interview process	18
3.4 Data analysis.....	20
3.5 Limitations.....	22
3.5.1 Interviews.....	22
3.5.2 Thematic analysis.....	24
4. Result and Discussion	24
4.1 The first explanation: Another type of crisis.....	24
4.2 Discussion: A comparison with previous crises.....	33
4.3 The second explanation: The rapid implementation.....	39
4.4 Discussion: The rapid implementation in 2020.....	43
5. Conclusion	45
6. Future research	47
References	
Appendix	

1. Introduction

The recovery period on the global mergers and acquisition (M&A) market during the second half of 2020 is considered to be remarkably rapid compared to earlier crises (McCombie, 2020; Balezou, Tse, Porter, 2021; Levy, Lloyd & Jackson-Moore, 2020a). For both the IT-bubble crisis in 2000 and the Global Financial Crisis (GFC) in 2008, it took approximately five years to reach the same global M&A levels as prior to each of the crises (McCombie, 2020). However, similar to previous crises, the Covid-19 crisis had an initial severe effect on global markets and businesses. When the World Health Organization (WHO) declared an outbreak of the Covid-19 virus in March 2020 (Adhanom, 2020), global markets declined significantly and businesses across all industries were forced to shut down (Balezou, et al., 2021). Consequently, advisers saw a sharp decline in global M&A activity in the first half of 2020 (Balezou, et al., 2021; Harroch, 2021). This was also true for the Swedish M&A market as the number of Swedish deals hit a significant decline in early 2020 for the first time in an approximately 10-year period of steadily increasing number of deals (Murray & Marstorp, 2021). According to Harroch (2021), companies, on a global level, had to put their focus and resources on moving their business online and organize remote workforces, as well as prioritizing the overall health among the employees which moved focus away from long term goals including pursuing growth through M&A strategies. Thus, one explanation of the initial drop in the M&A activity was temporarily postponed deals that were anticipated to restart along with the stabilization of the economy (Krouskos, 2020). Both Krouskos (2020) and McDermott & Sim (2020) observed, on the global M&A market, that many companies and executives continued to have enthusiasm to contract and many deals, therefore, progressed well during the second half of 2020 when companies realized that they could operate in the new environment (Balezou et al., 2021; McCombie, 2020). The same enthusiasm was evident on the Swedish M&A market. In fact, when comparing the latter half of 2020 with the corresponding period in 2019, it is concluded that 2020 outperformed 2019 in terms of number of Swedish M&A deals, despite the initial drop in M&A activity in the beginning of 2020 (Murray & Marstorp, 2021; Nasdaq Stockholm, 2020).

There are several professionals within the field that have tried to provide possible explanations for the rapid recovery with regards to the American and global M&A market. Scott Barshay, the chairman of the corporate department at the law firm Paul Weiss Rifkind Wharton and Garrison, said in an interview made by Bloomberg that several companies in

2020 were starting to think about how the post-pandemic world would look like, along with how they would put themselves in the best position to succeed post-pandemic (Balezou et al., 2021). Potential explanations to the global M&A recovery in the second half of 2020, according to Balezou et al. (2021) and Levy et al. (2020a), was, hence, the restart of the postponed deals and, in contrast to earlier crises, the presence of components such as easy access to liquidity which drove the deals prior to the Covid-19 crisis. Levy et al. (2020b) provides four examples of such environmental indicators; historically low interest rates; record levels of corporate cash and private capital, such as private equity firms and venture capitalists; alternative capital sources; and liquidity in bond markets.

Turning to the American M&A market, one explanation for the rapid American M&A recovery was geopolitical changes such as the U.S. election of Biden's presidency and thereby potential tax consequences, which may have motivated selling companies to sell during 2020 rather than later (McCombie, 2020). Additionally, Levy et al. (2020a) advocate that an increase in a restructuring and continuation of a blazing IPO market in terms of the increased appearance of Special Purpose Acquisition Companies (SPAC) was also a triggering factor for the increase in activity on the American M&A market during 2020. SPAC companies could be seen as a combination of an IPO and a public investment in private equity (Jog & Sun, 2007). It has no other purpose than to operate within M&A in a pursuit for a non-predetermined target within a pre-decided timeframe, usually within a couple of months. What is more salient, however, is that the Covid-19 crisis, according to Salsberg (2020), is a different type of crisis compared to earlier crises in terms of how markets, industries and individuals were affected. In other words, the Covid-19 crisis is a health crisis rather than a financial crisis and the development of the virus is therefore consequently one main factor deciding the length of the crisis' downturn. Another noteworthy potential explanation for the rapid M&A recovery in 2020, according to Balezou et al. (2021), in line with Krouskos (2020), is that the global shock revealed company vulnerabilities and thereby forced companies to rapidly adapt themselves to the new environment by implementing new strategic plans during 2020 due to fundamental changes in companies' business models. Several professionals agree that such adaptations would otherwise have taken five to ten years to develop. This rapid implementation was especially important in relation to digitalization, i.e., the use of technology in order to improve business models (Gartner, 2021), since remote working became crucial and demanded business

transformations. Consequently, the fastest way to add the required knowledge was, according to Levy et al. (2020a), to acquire it and, thus, increase the engagement in M&A activity.

1.1 Problem motivation

The underlying motivations to engage in M&A activity are many. For example, it could be for economic reasons such as economies of scale and scope or efficiency gains (Berk & DeMarzo, 2017). It could also be a suitable approach to improve a business in a strategic aspect by, for example, adding external knowledge and, hence, strengthening the company's market position. However, during times of crisis, M&A activity normally declines although the pressure for growth increases (Hendrickson 2003). For a few, financially strong companies, the fastest strategy to grow and create long term value during such uncertain times is to engage in M&A activity (Eckbo, 2009; Levy et al, 2020; Dua, Mahajan, Oyer & Ramaswamy, 2020). In contrast to previous crises, however, the remarkably rapid M&A recovery during the Covid-19 crisis signals that a relatively large number of companies have been able to engage in M&A activity. Thus, the importance of deepening the discussion regarding underlying motivations for M&A engagements during crises and, thus, possible explanations for an M&A recovery in the midst of a crisis, which has not been observed before, is therefore viewed to be crucial, both for researchers and practitioners. Nonetheless, the recovery during 2020 is, hence, viewed to be unique both in terms of the speed of the recovery, considering the fact that it took months instead of years to reach pre-crisis levels, and due to when in time it occurred, regarding the fact that the M&A activity recovered during a prevailing crisis.

Moreover, although professionals within the field have tried to provide numerous explanations for the rapid global and American M&A recovery in 2020, there are limited studies regarding what factors enabled the remarkably rapid Swedish M&A recovery in 2020 and how they differ from previous crises. Thus, the problem area lies in the fact that there are no explanations about whether the reasons for the Swedish M&A recovery correspond to the global and American ones mentioned by Levy et al. (2020a), Balezou (2021), Krouskos (2020), Salsberg (2020), and McCombie (2020) or if there are other driving factors. One may perhaps assume that the global and American reasons most likely apply to the Swedish M&A market as well, especially since the development on the Swedish M&A market during 2020 was equivalent to the global and American ones. However, one questionable factor for why

the Swedish recovery might partly depend on other reasons are, for example, that the US presidency as a driving factor for the increased M&A activity, according to McCombie (2020), is most likely limited to the American M&A market and cannot not stand as an explanation for the rapid recovery on the Swedish M&A market. Furthermore, SPAC companies did not enter the Swedish stock market prior to the first of February 2021 (Andersson, 2021) and can, thus, not be a reason for the increase in Swedish M&A activity in 2020. Additionally, Sweden is unique in the sense that the Swedish government's response to the crisis differs substantially from how most of the other countries acted. For example, Sweden's strategy included less restrictions and no lockdowns (Savage, 2021) which, arguably, have had an effect on companies' prerequisites to restart their M&A activity, making Sweden an interesting market to study. In other words, it is highly likely that there exists other explanations for the Swedish rapid M&A recovery in 2020.

Considering the other mentioned reasons for the global and American M&A recovery in 2020, there are two explanations that *could*, however, have the right prerequisites to be driving factors for the Swedish M&A recovery. The first one is the fact that the Covid-19 crisis is a different type of crisis as it is considered to be a health crisis rather than a financial crisis. The second one is the need for rapid implementation due to the new environment that companies abruptly had to adapt themselves to. However, it is unobserved whether these two reasons apply as explanations for the Swedish rapid M&A recovery or if there are other explanations that specifically explain the Swedish M&A recovery. Consequently, it is yet unknown what *de facto* drove the Swedish rapid M&A recovery in the second half of 2020 and, not least, what enabled such a rapid recovery compared to earlier crises and the five year downturns in M&A activity that followed back then.

1.2 Purpose of the study

The purpose of the study is to expand existing research regarding M&A activity in crises by providing a study about the remarkably rapid recovery on the Swedish M&A market during the Covid-19 crisis.

1.3 Research question

To what degree can the two explanations; the Covid-19 crisis is a different type of crisis and rapid implementation, explain the rapid M&A recovery in Sweden during 2020?

In order to answer our research question, we will initially dive into the relatively scarce existing literature about M&A activity in previous crises along with providing findings of historical M&A activity in relation to rapid implementation in terms of regulatory, technological and environmental shocks. Furthermore, a qualitative research study including interviews will be used in order to identify relevant market participants' motivations and driving factors for the increased Swedish M&A activity in 2020.

Our main findings show that both explanations that the Covid-19 crisis is a different type of crisis and the rapid implementation with its increased focus on digitized business models stand as reasons for the Swedish rapid M&A recovery in 2020. Additionally, the main differences compared to earlier crises is the large amount of invested private capital during 2020 and the different approach to, and understanding of, digitalisation in 2020. Also, the access to liquidity was highlighted as one main driving factor for the speed of the recovery during the Covid-19 crisis resulting in an increased focus on the stock market which, in turn, triggered the pressure for growth, resulting in increased M&A activity. However, an important and valuable finding was the fact that private equity firms had an enormous pressure on the Swedish M&A recovery in 2020 as they are large and many and, thus, constitute essential market players with business models that are centred around M&A activity.

Turning to the contribution of this thesis, although the Covid-19 crisis is another type of crisis compared to previous crises, our findings show that the M&A recovery in 2020 was not only due to postponed M&A deals. Rather, it was a certain presence and combination of different factors that made the resumed M&A activity forceful. These findings are valuable in the sense that researchers and professionals within the M&A field are provided with the new insight that a recovery period of M&A activity after a crisis' outbreak, and consequently a stock market crash, do not necessarily have to endure over several years, as stated by existing research. Thus, existing research is insufficient in the understanding of the motivations and prerequisites for why a relatively large number of companies engage in M&A activity in uncertain times. For professionals and practitioners within the field that seek a deep understanding of how the landscape is expected to change during and after future crises, our thesis contributes with an understanding of what driving factors enable such a rapid recovery.

This is also valuable for practitioners that seek a better understanding of how they, in times of crises, should prepare themselves and adapt their M&A strategies accordingly.

The remaining structure of the thesis is as follows. In Section 2, we present our literature review. In Section 3, we motivate our chosen method. Section 4 is divided into two subsections that begins with a presentation of the findings on the first explanation *Another Type of Crisis*, along with findings on the second explanation *The Rapid Implementation* and whether they appear to be reasons for the rapid M&A recovery on the Swedish M&A market. The subsections include translated citations and are each finished with a discussion. The thesis is finished by Section 5, where we conclude our main findings and suggest future research which is beyond our thesis's research scope.

2. Literature review

2.1 The first explanation: Another type of crisis

Regarding M&A engagement in previous crises, companies which in early periods of economic uncertainty engage in M&A activity experience higher levels of average returns and faster growth than those who wait (Salsberg, 2020). The reason is that deal premiums during a crisis are likely to decrease, resulting in reduced prices, and assets that companies previously have been reluctant to sell might become available. Salsberg (2020) refers to this as the *M&A window*. Nevertheless, despite the opportunity to receive higher average returns through the M&A window and its lowered deal prices, previous research has shown that M&A activity initially decreases in periods of crises followed by an average recovery period of five years after each crisis (Hitchcock, Prakash, Negrete & Ramdevkrishna, 2020; Eckbo, 2009). According to Hendrickson (2003), the pressure to create value and growth are especially important in times of uncertainty. Consequently, for some companies, M&A has emerged as a complementary growth option in times of crises for several reasons. For example, it is difficult to grow solely through organic growth and few companies have the financial resources to make a significant acquisition. Thus, although the total M&A activity decreased in previous crises, it has been proven that financially sound companies within non-undervalued industries are faced by favorable conditions as they are able to exploit the opportunity to acquire undervalued companies at fire-sale discounts (Eckbo, 2009; Grave, Vardiabasis & Yavas, 2012). According to Aharon, Gaviious & Yosef (2010), such financially healthy companies have, in general, low leverage and cash resources available for

acquisitions. Beltratti & Paladino (2013) and Gatti et al. (2013) state that volatility and a limited number of buyers on the market creates favorable opportunities of acquiring businesses during turbulent times without compromising the company's financial stability. Thus, deals which are undertaken in crises deliver, on average, higher returns, resulting in some companies still having the ability to engage in M&A activity in crises despite an uncertain environment where the total M&A activity decreases. Gatti et al. (2013) further claim that some buyers in crises have higher bargaining power toward the seller and might therefore be able to conclude the deal faster and at a lower price, which infer higher extracted value for the buying firm. Moreover, they are also in the best position to convince sellers to accept stock as a payment method, which is usually preferable as the buyers are able to save liquid resources for further expansion. Aharon et al. (2010) further claim that companies are more likely to prefer stock as a payment method when their shares are overvalued, which is also the case for some companies in times of crises.

Turning to the IT-bubble, Aharon et al. (2010) explain that the build-up of the bubble that was characterized by increased stock prices within the IT sector, which started at the end of the 1990's, had a spillover effect which resulted in increased stock prices for other industries as well. In the second quarter of 2000, the IT bubble burst had a severe effect on the capital markets, especially for those who were heavily invested in the IT industry. Preissl, Bouwman & Steinfield (2004) advocate that one of the crisis' main causes was, as earlier mentioned, the problem and interpretation of business models along with a large number of optimistic and/or overconfident investors that triggered the market value of the IT companies to unrealistic levels (Ofek & Richardson, 2003; Lusyana & Sherif, 2016). Hence, many companies during the IT bubble were solely built upon capital investments in technological ideas which increased the risk level but was not considered as a problem until the crisis' outbreak (Ofek et al., 2003). Instead, investors such as private equity firms and venture capitalists had an overconfidence in tech companies' futures during the IT boom and therefore tried to exploit the believed growth opportunities to earn abnormal returns (Lusyana & Sherif, 2016). Consequently, in 2000, investors went from being optimistic to pessimistic as it became evident that IT companies could not deliver on their promised values, resulting in the stock market crash and, thus, the burst of the bubble (Ofek et al., 2003).

The M&A activity during the IT bubble in 2000 was characterized by a successful period with an increase in the frequency of M&A transactions (Reddy, Nangia & Agrawal, 2014;

Aharon, et al. 2010). According to Lusyana and Sherif (2016), the peak in M&A activity in 2000 had reached a point that witnessed the highest level of M&A activity on the global market in history. The majority of the M&As during the IT-bubble was mostly within the IT and technology sectors. During this period, the rate of the increased frequency of M&A transactions was the highest in these sectors; 95 percent compared to, for example, 67 percent and 42 percent in industries characterized by low-tech and trading and services industries, respectively. However, when the bubble burst, companies' behaviour towards M&A activity was highly affected and the monthly frequency of M&A transactions decreased significantly (Aharon, et al, 2010). Additionally, the following years in the post-bursting period were characterized by a decreasing prevalence of M&A transactions in all sectors at an even higher pace compared to the reduction during the burst of the bubble, despite recovery in the capital markets during that time. During the IT bubble, companies had been assessed on the basis of future expected achievements rather than performed ones (Aharon, et al, 2010; Lusyana and Sherif, 2016), and in the period following the crash companies, hence, began to reevaluate their M&A processes in order to be more careful and avoid future bubbles.

The GFC, in contrast to the IT bubble, originated from fundamental failures in the finance and banking sector combined with a flawed financial system (Blankenburg & Palma, 2009; Reddy et al., 2014), along with problems in the real-estate sector that affected the outcome in terms of US subprime mortgage failures (Crotty, 2009). Moreover, the crisis occurred in two stages; first, macroeconomic liquidity was exacerbated and second, there were insufficient regulations regarding the actions by the different parties on the market resulting in, for example, tax incentives (Reddy et al., 2014). Thus, the crisis had a severe effect on the global capital market. For example, the global private equity market decreased by 40 percent in 2008 and then another 87 percent in the first half of 2009, resulting in only a sixth of the size in 2008 (Kend & Katselas, 2013). Crotty (2009) focuses on the flawed financial system when analysing the GFC and states several underlying reasons for causing the outbreak. Some of the reasons Crotty (2009) mentions were, firstly, the fact that the system lacked a strong connection to theory and hence was developed upon assumptions without any realistic ground, resulting in, for example, high risk-taking among the parties. Secondly, the system created extreme incentives which in turn resulted in excessive risk. For example, traders were rewarded by large bonuses if they generated high profits but were simultaneously forced to take on high risks as most of these bonuses and earned profits were built upon leverage. Thirdly, Crotty (2009) advocates that the financial products became too complex for the

market participants to follow, resulting in lost transparency and, as a consequence, lost liquidity in the crisis. Fourthly, large banks were permitted to assess their own risks and make decisions about their own restrictions related to capital since these banks had become too big to properly assess the risk for both internal and external parties. Lastly, the financial system made it easier to increase the use of alarming leverage when the interest rates were lowered during 2000-2004, which ironically was a consequence of the previous crisis.

Turning to the M&A activity in the GFC, it decreased initially due to a weak macro environment which impacted CEO confidence and risk appetite and did not recover for several years (Gatti et al., 2013). However, in 2012, along with the recovery of the economy, there was a large amount of capital raised by shareholders, resulting in increased shareholder participation and a dialogue with company executives which was viewed as a driving factor for increased post-crisis M&A activity. Additionally, during the following years after the crisis, a number of factors were present on the market which had the potential to increase M&A activity; cost of capital was historically low, corporate cash balances were high and there were low interest rates (Gatti et al, 2013). When the M&A activity started to increase again, Grave et al. (2012) and Reddy et al. (2014) argue that many of the deals were in terms of cross-border M&A due to both the increased globalisation during these years but also because of the fact that the crisis triggered companies to look for M&A in new territories and countries. Reddy et al. (2014) continues with the cross-border takeovers in relation to the years before, during and after the GFC, and states that during the crisis, the majority of the observed countries had a negative growth in their M&A values throughout the crisis which continued for several years after the crisis as well.

2.2 A comparison with the Covid-19 crisis

The similarities between the Covid-19 crisis and the previous crises which is presented by articles regarding the global M&A recovery in 2020 is that crises, in general, are often related to uncertainty. For example, the uncertainty regarding the Covid-19 crisis can be defined as a non-quantifiable risk that cannot easily be traced (Strauss-Khan, 2021). Thus, it is highly difficult to predict its probability of occurrence and its impact. Another important similarity when discussing M&A in times of crises, as well as in normal circumstances, is, according to Harford (2005), the access to liquidity on a macro-level. Accordingly, in order for an increase in M&A activity to occur, access to capital liquidity is crucial since M&A transactions require an extensive amount of assets. Another similarity among the crises is regarding

potential opportunities; the discussion by Salsberg (2020) is in line with Beltratti et al. (2013) who argues that companies, which in early periods of economic uncertainty engage in M&A activity, will exploit the M&A window, as previously mentioned, and, thus, receive higher levels of average returns than those who wait for more stable times. Salsberg (2020), however, claims that history suggests that there will be a relatively short M&A window in 2020 during which companies with good liquidity and the risk tolerance to move quickly will have bargains and, thus, gain on the opportunity presented in the otherwise challenging climate of 2020. This discussion complies with the discussion by Gatti et al. (2013) who state that crises creates opportunities for financially strong companies as they can take advantage of the downturn and engage in M&A activity during uncertain and volatile times. These companies also possess the bargaining power in M&A processes since the selling company often is in a less favorable position. Moreover, less desirable assets in sectors that were negatively affected by Covid-19, or assets in businesses that are no longer viable regarding the structural changes, could experience a reduction in business value and, thus, be exploited by both companies and investors (Levy et al., 2020a; Leach, MacGregor, Scoones & Wilkinson, 2021).

Compared to the IT bubble, one could argue that the Covid-19 crisis has several similarities, such as companies facing enormous uncertainties, paradigm-shifting technologies and an intense competition for M&A transactions (Levy et al., 2020a), which is in line with the IT-bubble discussions by Harford (2005) and Cantwell & Santangelo (2006). However, an important difference is that during the IT bubble, the companies did not have sustainable business plans and the companies' were assessed on promised achievements rather than delivered ones (Preissl et al., 2004; Aharon, et al, 2010; Lusyana and Sherif, 2016). In other words, investments were made, as previously mentioned, solely upon the high hopes on technological ideas (Preissl et al., 2004). The companies in 2020, however, were instead argued to have proven business models and solid customer bases, as well as the ability to generate revenue and, in some cases, even profits (Levy et al, 2020a). Another difference between the IT-bubble crisis and the Covid-19 crisis is the length of the M&A activity downturn. The Covid-19 crisis is viewed to have a V-shaped M&A recovery, meaning that the recovery was sharper and shorter in comparison to a U-shaped recovery, which is instead categorized by a recovery that lasts over a few years (Sharma, Bouchaud, Gualdi, Tarzia & Zamponi, 2021). Looking at the IT-bubble crisis it had a longer downturn in M&A activity (Hitchcock et al. 2020) and hence illustrated a U-shaped recovery (Sharma et al., 2021).

When comparing the Covid-19 crisis with the GFC, the length of the downturns differs as well, similar to the IT bubble crisis the GFC is also categorized with a U-shaped M&A activity recovery in contradiction to the Covid-19 crisis. Another difference between the two crises are according to Salsberg (2020) that the Covid-19 crisis is not a financial crisis and the development of the disease along with the progress of the vaccines are therefore the main factors deciding the length of the crisis' downturn. Moreover, banks were, hence, not affected as they were during the GFC, indicating that no liquidity issue hindered takeovers to be a response to the crisis. The situation during the GFC was rather the opposite than the one during 2020 since it was a liquidity crisis due to a poorly structured financial system (Strauss-Khan, 2021). Other differences are how the crises hit the market. The exogenous shock in the first quarter of 2020 initially affected the companies rather than the customers in terms of supply, production and reduced work capacity. In 2008, however, the financial shock affected the customers first, i.e. the private citizens, and then turned into a severe global recession. Furthermore, in relation to different effects and consequences of the crises, the Covid-19 crisis differentiates from the GFC in terms of which industries were affected negatively (McCombie, 2020). In contrast to the GFC where practically all sectors were hit negatively, industries in 2020 such as the airline and auto industries (Haydon, Kumaj & Bloom, 2020) along with the hotel and restaurant industries (Dua, Mahajan, Oyer & Ramaswamy, 2020) were affected negatively due to the Covid-19 pandemic and thereby realized large losses. However, others such as property insurance and health industries, on the other hand, grew during 2020 (Haydon et al., 2020). According to Dua et al. (2020), the industries that were negatively affected by the pandemic had relatively high fixed costs with slim margins even prior to the crisis, which worsened the impact of the pandemic, especially for small businesses.

2.3 The second explanation: The rapid implementation

Cantwell & Santangelo (2006) state that M&A engagement is a strategic tool in order to make companies' problem solving more efficient by adding external knowledge as a part of companies' Research and Development (R&D) progresses. The authors continue with the observation that companies use M&A as part of their strategies in times of economic, social or technological complexity and uncertainty. They observed that in such periods, companies are unable to individually develop the competencies required to keep pace with continually developing business lines due to intense corporate competition. For example, according to Cantwell & Santangelo (2006), the environment in the early 2000, prior to the IT bubble,

required extended technological knowledge which most companies did not possess in-house, resulting in increased M&A activity in order to collect the necessary competence. During the early 21st century, M&A became a renewed corporate strategy that allowed companies to cope with challenging market environments by the new technological conditions. Cantwell & Santangelo (2006) highlighted that diversification in core technologies was crucial with regards to market competition which, consequently, fueled M&A activity.

In line with this discussion, Harford (2005), along with Mitchell & Mulherin (1996), states that the main reason for increased M&A activity in some periods are different types of shocks, such as economic, regulatory and technological. These shocks reallocate assets on a large scale on the market and increased M&A activity is therefore a response. For example, in 1986, there was an IT-driven merger wave as IT became more important, and in 1998, the Internet was introduced to the market and, hence, there was a merger wave within the computer sector as a consequence. The reason was that companies were forced to rapidly implement these new technologies via M&A, both in 1986 and 1998. However, merger waves are intuitive as there must be both an economic reason and low transaction costs, in terms of higher capital liquidity on the market, in order to generate a large volume of transactions. Harford (2005) highlights that there are two competing theoretical perspectives of merger waves; the Neoclassical Hypothesis and the Behavioral Hypothesis. The former suggests that merger waves are, as previously mentioned, a response to technological, regulatory, or economic shocks where that industry's assets are reallocated through M&A. This activity, according to Harford (2005), is a result of managers' reactions to the shock and them simultaneously competing for the best combinations of assets. The Behavioral Hypothesis advocates that merger waves occur when managers use overvalued stock as a payment method. In other words, recent research on the Behavioral perspective has found a positive correlation between stock valuations and merger activity so that clustering in merger activity is driven by stock market valuations as bull markets make bidders with overvalued stocks use stock as a payment method of undervalued targets. However, the Behavioral Hypothesis does not assume any economic motivation for the wave and, therefore, economic, technological or regulatory shock are not viewed as driving factors that systematically lead the wave as the Neoclassical Hypothesis suggests. Nevertheless, the findings of Harford (2005) support the Neoclassical model but the evidence also shows that a merger wave is only possible if there is enough capital liquidity on the market to accommodate the reallocation of assets. In other words, not all economic, technological or regulatory shocks cause merger waves, but the ones

that do occur are feasible thanks to the access to capital liquidity and, thus, low transaction costs.

2.4 The rapid implementation in 2020

In line with the discussion by Harford (2005), the Covid-19 crisis could be seen as a macro-level shock that exposed company vulnerabilities (Balezou et al., 2021) and, hence, forced companies to work remotely resulting in an increased need for digitized business models (Levy et al., 2020a). In the aftermath of the GFC, banks developed policies to mitigate such macro-level shocks (Leach et al., 2021), however, the magnitude of the Covid-19 crisis was beyond the estimations of these policies and hence exposed limitations. As a result, governments were forced to rapidly develop new strategies. The macro-level shock also forced companies to rethink their strategies, both in terms of possible measures related to the discovered vulnerabilities, but also regarding market positioning during and after the crisis (Balezou et al., 2021).

Levy et al. (2020a) elaborates further on this and explains that the Covid-19 crisis led to an acceleration in both digitalisation and transformation, which became the top priorities for companies in 2020. Furthermore, Goksör (2021) discusses the connection to digitalization and states that companies were forced to readjust their businesses and increase their focus on digitalization. In line with this discussion, extensive and rapid changes in companies' business models are, according to Dua et al. (2020), required in order to survive in the long run after the crisis. The fastest and most efficient way to meet the new requirements is, therefore, by investing in technological solutions and hence digitalizing some part of the operational process. This was even evident in the restaurant sector which was among the most negatively affected industries. For example, one restaurant group in America could keep operating during 2020, and even increase their sales in some restaurants, thanks to implementation of take-away and pick-up services. The pandemic has, thus, forced companies to reassess their strategic positions, reexamine their operations, modify their expectations for growth and recalibrate their long-term vision - all at very rapid speed (Levy et al. (2020a). Society in 2020 is centered around the home and the underlying technology to support remote working, education, entertainment and shopping has, thus, become essential. Consequently, M&A appeared to be the fastest way to make that transformation happen, resulting in increased competition for many digital- and technological-based assets. Hence, Levy et al. (2020a) explain that the new situation led to companies, on the one hand, not

having any other choice but to consolidate as a consequence of imminent distress. On the other hand, companies perceived dealmaking as the best and fastest way to fill critical gaps in the skills, resources and technologies they needed to create long term value, which have been observed in previous crises as well (Eckbo, 2009).

2.5 Literature summary

In times of crisis M&A activity has initially decreased, which has resulted in an opportunity for financially strong companies to earn abnormal returns, also called *the M&A window*. However, both in the IT-bubble crisis and the GFC, the M&A activity did not recover until approximately 5 years after each crisis, which is an essential difference compared to the Covid-19 crisis where M&A activity recovered before the crisis was over. Looking at the IT-bubble, business models were considered by previous research to be one of the main causes as they were solely built on future expectations, not performed accomplishments. The M&A activity in 2000 had reached record levels in history, mostly within the IT sector. When the IT bubble burst, the M&A activity suffered as a result and companies began to reevaluate their M&A activity. Turning to the GFC, this crisis was rather based on failures in the financial system. The M&A activity decreased significantly in the outbreak of the crisis and thereby affected CEO confidence and risk appetite. When comparing these two crises with the Covid-19 crisis, one main similarity is the importance of macro-level liquidity. One main difference is the U-shaped M&A recovery after the previous crises compared to the V-shaped M&A recovery in relation to the Covid-19 crisis. Comparing the Covid-19 crisis with the IT-bubble, some similarities are the uncertainty, paradigm-shifting technologies and intense M&A competition. One difference is, however, the business models which were argued to be weak during the IT bubble but solid during the Covid-19 crisis. When comparing the Covid-19 crisis with the GFC, the uncertainty is also interpreted as one main similarity. However, one main difference is that the Covid-19 crisis is not a financial crisis in contrast to the GFC. Regarding the second explanation, the rapid implementation, two competing theoretical perspectives have been highlighted in previous research, the Neoclassical Hypothesis and the Behavioral Hypothesis. Regarding the Covid-19 crisis, it could be stated that a technological shock occurred which forced companies to work remotely. The fastest way for companies to meet the new requirements and fill the technological knowledge gaps was, hence, to engage in M&A activity, which has been a common strategy in times of crises.

Our expectations of this study, based on this discussion, are that the two chosen explanations will be essential for the rapid Swedish M&A recovery during 2020. The fact that the Covid-19 crisis is a different type of crisis is viewed to be crucial since the economy, in general, is seen as stable and companies have access to liquidity. The rapid implementation is also seen as essential in terms of the unique aspect of digitalization, as it enabled companies to keep operating even though remote working was necessary.

3. Method

3.1 Methodological approach

In order to reach the goal of this thesis and answer the research question, a qualitative method was chosen containing thirteen interviews. A qualitative method is suitable in an ‘opening’ phase of research where researchers seek to describe a new phenomenon or area in the absence of data with the aim to understand experiences and attitudes (McCusker & Gunaydin, 2014). McCusker & Gunaydin (2014) continues by stating that a qualitative method is suitable when the research aims to understand experiences and perspectives among the participants. This is in line with Patel & Davidson (2011), who argue that qualitative methods’ purpose is to discover and identify characteristics and nature of, for example, the interviewee’s reality of the world or perception of some phenomenon. The qualitative method is also often used when questions concerning “what”, “how” and “why” are asked (McCusker et al, 2014). Although there exists a variety of qualitative methods, the interview method was considered to be the best option for this thesis as it provides for a more detailed and in-depth study (Gubrium & Holstein, 2001). Therefore, it was considered to be the best fit with regards to the nature and context of our chosen research area, in an attempt to find an answer to the research question of this thesis that is of the highest relevance and quality. As mentioned in the theory section, existing literature has concluded that it has taken several years before the M&A activity in previous crises has recovered to pre-crisis levels. Based on this fact, the rapid M&A recovery during the Covid-19 crisis in 2020 can, in relation to previous crises, be classified as a new phenomenon. Thus, interviews with relevant respondents are therefore useful in order to gain a deeper knowledge and understanding of the situation that has not been researched upon previously and, also, to gain an improved insight into the respondents’ actions and thoughts, in line with Johnson (2001). The interviews will therefore be held with bidding companies during 2020 and advisory companies which are specialised in transactions.

3.2 Data collection

The findings of this study consisted of primary data. Primary data is, according to McQuarrie (2006) and Collis & Hussey (2013), the study's collected data such as the information gathered from interviews, surveys or experiments. The primary data is, hence, viewed as more relevant than secondary data. In line with this discussion, the decision was made to exclude secondary data from the data collection since it was considered that it would not enhance our study's contribution within M&A research based on our research question. The data collection, thus, solely consisted of primary data in terms of thirteen interviews divided into two categories; buying companies and advisory companies. Twelve of the thirteen interviews were conducted in Swedish since both the interviewers and the respondent in question were speaking Swedish. However, one interview was conducted in English since one of the respondents was not speaking Swedish. The choice of making the majority of the interviews in Swedish was due to the fact that the communication was viewed to be improved if both parties spoke their native language. The initial phase of the data collection began with an internet search for companies which had engaged in M&A activity during 2020, in order to select the bidder respondents to the first category. When the research had been made the companies were contacted via email. The companies which replied were mainly IT companies and the respondents were mainly CEOs but also managers who worked specifically with M&A deals. When the interviews from the first selection phase were conducted, additional emails were sent continuously to companies across several industries for the purpose to decrease the portion of IT companies in order to broaden the results and conclusions and thereby increase the comprehensiveness of the thesis. The aim of this category was, thus, to get a deeper understanding about the bidding companies' motivations to engage in M&A activity in the uncertain time of 2020 as well as their experiences of the crisis in order to further understand the rapid M&A activity.

Furthermore, when the emails to the bidder companies were sent, additional emails were also sent to advisory companies, with the main goal to deepen the understanding about the Swedish M&A activity and its recovery during 2020 on a market level rather than on a company or industry specific level. Moreover, it was, hence, considered that these broader interviews could to some extent compensate for the relatively high presence of IT sector companies among the total number of interviews, since, as previously mentioned, this sector represented the majority of the interviews in the first category. Additionally, by combining these two categories, the attempt was to receive an in-depth understanding and, hence,

receive a broader perspective of the motivations to engage in M&A activity in 2020 as well as identifying underlying factors that made these takeovers possible in the M&A sector as a whole. This was possible thanks to the interview design where the interviewers were able to ask supplementary questions when suitable and where the respondents were given enough space to expand their answers. One of the techniques that the interviewers used was to stay silent as much as possible so that the respondents felt a need to fill in with further elaborations and/or explanations. By doing so, the attempt was, hence, to receive a deeper understanding about the remarkably rapid M&A recovery in 2020. The data collection phase further resulted in nine interviews within the first category (nine Swedish companies which had made takeovers during 2020, shown in Table 1) and four interviews within the second category (advisory companies which are specialised in transactions on an industry level, shown in Table 2). However, some respondents, in both categories, wished to be anonymous and they were therefore addressed with numbers between 1-6 instead (shown in Tables 1 and 2).

Table 1 - the respondents of the bidder companies

Bidder Companies				
Interviewee	Position	Company	Industry	Takeover
Respondent 1	VP	Anonymous	IT consultant	Anonymous
Respondent 2	Head of M&A	Anonymous	Building industry	Anonymous
Johan Strid	CEO	Prevas	IT consultant	Evotech
Kristina Willgård	CEO	AddLife AB	Medtech	DACH Medical
Oscar Lundqvist	Responsible for Renewable Investments	Polhem Infra	Infrastructure Investments	Telia Carrier
Oskar Godberg	VP & COO	Combinedx	IT consultant	Nethouse
Respondent 3	Head of Business Development	Anonymous	IT consultant	Anonymous
Respondent 4	CEO	Anonymous	Innovation, IT	Anonymous
Åsa Landén Ericsson	CEO	C.A.G Group AB	IT consultant	Ateles

Table 2 - the respondents of the advisory companies

Advisory Companies		
Interviewee	Position	Company
Alexander Bergqvist	Manager	EY
Respondent 5	Partner, Deal Advisory	Anonymous
Emma Olnäs Fors	Partner	Mannheimer Swartling
Respondent 6	Head of M&A	Anonymous

Regardless of the two categories, it was determined that data saturation had been reached after thirteen interviews, based on the discussions by Guest, Bunce & Johnson (2006) along with Hennink, Kaiser & Marconi (2016) and Fusch & Ness (2015). It is argued that saturation

has been reached when no additional themes are discovered and the research question is considered answered. According to Guest et al. (2006), saturation, along with data variability, is hence reached within approximately twelve interviews. However, Hennink et al. (2016) divides saturation into code saturation and meaning saturation. The former are when the interviews do not contribute with new themes and the latter is rather how much data that is required to understand the chosen research field, which thereby requires more data. Furthermore, according to Fusch & Ness (2015), a small study requires less data than a large study. Our study is, hence, argued to be small due to the timeframe and available resources and, consequently, the data saturation was considered reached both in terms of code and meaning saturation. Code saturation was viewed to be reached due to the fact that buying companies and the advisory interviewees both presented similar responses which confirmed rather than compensated earlier interviews and themes. Meaning saturation was argued to be reached since new insights decreased in the end of the interview processes and the contribution to our understanding, within the scope of the thesis, was therefore also seen as reached.

3.3 The semi-structured interview process

Based on the discussion by McCusker et al., (2014) about a qualitative method being preferable when the aim is to understand different attitudes and perspectives, the interviews were chosen to be in a semi-structured manner. The semi-structured interview process was based on Salmons (2015) description where the interview process follows a specific guide but the interviewer does not ask the questions in a predetermined order. Instead, the interviewer is flexible and asks questions when it becomes relevant and related to the interviewee's answers. The semi-structured interview process was further influenced by the four steps suggested by Cassell & Symon (2014). The first step is to define the research question, the second step is to create an interview guide, followed by the third step which is to decide and contact the companies that would be interviewed and, lastly, conduct the interviews. This study's interview process was similar to the suggested approach by Cassell & Symon (2014). Both the research questions and the theory section were defined and developed before the interviews were conducted. Both these steps helped the interview process when the second step, the interview guides, were developed since it made it easier to formulate the questions when the facts and previous knowledge were established. Regarding the interview guides, two different interview guides were developed prior to the interviews, one to the category bidder companies and one to the other category advisory companies. These interview guides

were adjusted between each interview when necessary, i.e., when new interesting areas within the research topic were discovered. Consequently, new relevant questions could be added along with specific company related questions.

Additionally, as a pre-step to the third step, a pilot interview was performed. This was made as an attempt to receive a more comprehensive view of the research area which is in line with the discussion by Collis & Hussey (2013). By doing this initial interview along with some changes in the interview guides it was considered to improve the following interviews. Cassell & Symon (2014) agrees with the suggestion to modify the interview guide and state that flexibility is crucial in the interview methodology. However, three main information requirements needed to be included in the interview guide; previous research, the interviewer's own knowledge, and preparatory work made by the interviewers. Collis & Hussey (2013) agree that prior research and flexibility is important in the interview process and regarding this study, all three information requirements were included in the interview guides, as described above. The allowance of flexibility in the semi-structured interview process simplified the potential problem with confidential information, since the interview could be adjusted for specific situations. Nevertheless, the semi-structured approach was, thus, an effective method allowing for flexibility when conducting interview questions, in line with Easterby-Smith, Thorpe & Jackson (2012).

Furthermore, regarding the third step, the chosen companies were from the buying-side in the M&A process since the underlying motivations for takeovers during a prevailing crisis were of interest. In order to make the interview process more comprehensive, as earlier discussed, additional interviews were made with professionals within the M&A field specialized in transactions. By doing so, it was considered to make the study more extensive since it increased the interviewers' knowledge about the chosen area and its specific circumstances. Lastly, the fourth and last step suggested by Cassell & Symon (2014), conducting the interviews, were performed. During the interviews, the interviewers strived to avoid both leading questions and multiple questions (two questions in one) in order to get valuable answers which are in line with Cassell & Symon (2014). The amount of premeditated questions and the order in which they were asked, was adjusted in order to accommodate unprepared questions when necessary, in line with Collis & Hussey (2013).

All of the interviews were held online through Zoom due to the Covid-19 pandemic, which during the time the interviews were conducted made physical interviews difficult. The

decision to have the interviews online instead of having telephone interviews (with some exceptions) was an attempt to improve the dynamics between the interviewers and the respondent as well as the perception of the answers, since the parties were able to see each other rather than only hear one's voice, which is in line with Collis & Hussey (2013). In general, all interviews were approximately 40 minutes each, independently from whether the interview was held online or on telephone and regardless if the interview was with a bidder company or with an advisory company, which was within the pre-decided one hour time frame.

3.4 Data analysis

After all interviews were conducted, transcriptions were made for each interview and, in order to increase our awareness of reflexivity, our own performance was later on analysed by relistening the recorded interviews with the focus on the interviewers. This was believed to improve the critical thinking regarding our participation in the research, in line with Cassell & Symon (2014). Furthermore, all interviews were transcribed continuously through the interview period and after all transcripts were done, a thematic analysis in terms of coding was performed. Thematic analysis is a useful method within qualitative data when analyzing the interviewees' answers as it allows for identifying, analyzing and interpreting patterns of meaning, i.e. "themes" (Nowell, Norris, White & Moules, 2017). Codes that are identified are the building blocks in thematic analysis while themes are the patterns of meaning. According to Braun & Clarke (2006) and King (2004), thematic analysis provides flexibility and can be used within and across data in relation to participants' experiences. Braun & Clarke (2006) presented a six-phased method to perform thematic analysis when conducting a qualitative study containing interviews which this thesis was based on. Although it is a linear approach, Nowell et al. (2017) reminds researchers that it is actually an iterative and reflective process which involves moving back and forth between phases. Hence, the data analysis of this thesis considered this way of working with the analysis. Turning to the six phases this thesis was based on, the first phase was about familiarizing with the data in a triangulation approach, i.e., the use of a variety of data sources for the study in order to increase the probability of credibility of the research findings. In this phase, we archived all records of the raw data to provide an audit trail and a benchmark against which the analysis and interpretations of the data was tested. Additionally, we documented our interests, thoughts and interpretations in a separate document and brought it to the analysis as it marked the beginning of the data analysis.

The second phase involved the initial production of codes and began once we had read and familiarized with the data. The use of codes (coding) is an activity that forces researchers to keep returning to the text and keep interacting with the data. It helps them to move from unstructured to structured data and create ideas about what is going on in the data by simplifying the text and focusing on specific characteristics (King, 2004). Braun & Clarke (2006) encourage researchers to work systematically through the entire data set, giving each data item full and equal attention. This enables researchers to find interesting aspects that later may form themes across the data set. The codes we found were documented in the same separate document that was created in Phase 1 together with information about which respondent the codes were referring to in order to make the analysis easier to carry through. However, Braun & Clarke (2006) underlines the fact that codes should have explicit boundaries and that researchers should be careful of having too many levels of codes as it could hinder the goal of attaining clarity in the data. Moreover, a consistent coding approach is necessary to establish before the coding process can start. There are several such approaches listed by Nowell et al. (2017) and this study was based on Creswell (2014) who described a systematic process for coding data where statements are analyzed and categorized into themes that represent a particular phenomenon of interest.

Turning to the third phase, when all the data was coded and a list of codes had been developed, this phase was about sorting and collecting the most relevant codes. That gave us an insight into what codes were used the most and we were, thus, able to identify themes. In our case, some relevant codes identified were liquidity, digitalisation, the IT bubble and the GFC. The themes, hence, consisted of the two chosen explanations for the recovery in M&A activity during 2020, along with an additional theme regarding the M&A window. This was done together with the help of bringing together components, fragments of ideas, or experiences which are often meaningless when observed alone. However, King (2004) outlined that researchers must decide whether to use an inductive or deductive analysis. The former allows the data to determine which themes are most suitable. The latter is about coming to the data with some preconceived themes which the researchers expect to be reflected in the data. For this thesis, the deductive analysis was chosen with regards to our chosen potential explanations for Swedish M&A recovery. Moreover, in line with King (2004), the data analysis of this thesis started-off with some predefined codes that helped in guiding the analysis.

The next step was Phase four, in which we reviewed the coded data for each theme and decided whether they accurately reflected the inherent meaning evident in the data. In this phase, we could identify relevant issues that had not been covered by a code yet. It also became evident that some themes did not have sufficient data to support them, and some themes collapsed into each other. For that reason, we had to remove some themes and/or move some codes to another theme in which we believed the codes had a more suitable fit. In phase five, we determined what aspect of the data each theme captured and decided what made them of interest for the analysis. In accordance with Braun & Clarke (2006), each theme was considered how it fits the overall story of this thesis and, in our case, the explanations for the Swedish rapid M&A recovery in 2020. Additionally, in order to increase the overall credibility of the data analysis, which is in line with King (2004), all of the data was read through twice before the themes were considered final. Lastly, the sixth phase is about producing the thesis. Here, we had fully established the themes and were ready to start the final analysis and last writings of the thesis.

3.5 Limitations

3.5.1 Interviews

A commonly mentioned problem with interviews is the underlying assumptions of both the interviewer and the respondent (Cassell & Symon, 2014). All participants in the interview are individuals with preconceptions about the world which will affect the outcome. This is also connected to the limitation brought up by Collis & Symon, (2013) that the respondent might be affected by events prior to the interview, resulting in the possibility that current attitude or mood of the respondent might affect the answers. However, both Flyvbjerg (2006) and Hammersley, Foster & Gomm (2000) argue that the claimed subjectivity and preconceptions are true for all researchers regardless of method. In line with this reasoning, it was strived to be aware of this issue and to be open to revise preconceptions along the process.

Another common issue with interviews is that it puts a lot of weight on the interviewer to be well prepared, which requires thorough research and is, hence, time consuming (Cassell & Symon, 2014). Additionally, in order to get an in-depth understanding and a high-quality analysis, the interviewer must possess enough knowledge in the research area to be able to pose challenging questions. Naturally, it is about doing good pre-research and preparation but in order to further enhance the quality, a pilot interview was performed to gain insights and learn from previous mistakes, which is in line with Collis & Hussey (2013), as earlier

mentioned. However, interviews are also time consuming for the respondent which might lead to difficulties in getting enough respondents to participate (Cassell & Symon, 2014). In order to overcome the issue, one short email was initially sent out to the desired participants to capture the potential respondents interest and willingness to participate. This initial email only described the main goal with the interview and was thereafter followed-up with a more detailed email if requested by the company.

According to Kvale (2006), another challenge with interviews is that they are dominated by the so-called “power dynamics” where the interviewer rules the interview due to the one-way dialogue. Therefore, it is important that the researcher understands the social interaction between the interviewee and the interviewer and that it might affect the credibility of the interview. A skilled interviewer will enlarge the social interaction by knowing how to create a positive engagement from the respondent, when to ask thoughtful questions and when to stay silent. This was therefore considered during our interviews. Except for asking thoughtful questions, avoiding open-ended questions was also considered crucial in order to improve the quality of the respondent’s answers (Collis & Hussey, 2013). This awareness was improved throughout the interview process as the interviewers increased their knowledge and experiences from each interview, which might be seen as a limitation in itself but could not be avoided, only considered when analysing the results.

The fact that the interviews could not be conducted physically increases the difficulties with maintaining the respondents' interest, increasing the risk of inadequate answers according to Cassell & Symon (2014). An interview should therefore not exceed two-three hours. However, since the interviews of this study all were within the one hour time frame and on average only 40 minutes long, the potential risk of decreased interest among the respondents was seen as mitigated and hence argued to be a nonissue during this interview process.

Another problem with online interviews which was experienced in our interview process was technical issues related to sound, video and internet connection. However, an attempt to mitigate this rather unpredictable issue, was to always be two interviewers with two separate record devices and computers. During two interviews, this problem occurred. Once in terms of sound issues and once in terms of video issues. The first example regarding the sound was when one of the interviewers could not hear the respondent properly and hence the recording suffered, but since the other interviewer had another computer, this did not affect the results as the sound was managed and recorded on the functioning computer instead. The other

example occurred when one of the interviewers' video shut down, resulting in difficulties in the dialog between the three participants, since the two with video could not notice if the third participants wanted to add questions or comments. However, this occurred late in the interview process and the interviewers therefore felt comfortable with the interview guide and how to act during the interviews even during the minor setback.

3.5.2 Thematic analysis

In relation to other qualitative research methods, some limitations with thematic analysis become apparent. For example, thematic analysis is lacking significant literature which may cause inexperienced researchers to feel insecure on how to make the thematic analysis rigorous. Additionally, the flexibility that thematic analysis is allowing can lead to inconsistency and result in a lack of coherence when themes are developed (Nowell et al., 2017). However, thanks to the deductive analysis of the data with predetermined themes based on the possible explanations for the rapid Swedish M&A recovery in 2020, the risk for insecurity and inconsistency in the data collection was limited.

4. Result and Discussion

4.1 The first explanation: Another type of crisis

In earlier crises, it has been proven that financially healthy companies are faced with the opportunity to exploit the so-called M&A window, as discussed in Section 2.1 *The first explanation: Another type of crisis*. This was brought up as one of the reasons for the global and American M&A activity during 2020, but the respondents of this thesis only partly agreed that this occurred in Sweden and the majority instead claimed that it was different this time compared to earlier crises. A majority of the respondents agreed that it did occur an opportunity to make favorable transactions in some industries, especially within the hotel and restaurant industries, where valuations decreased fundamentally. For example, one advisory respondent, Emma Olnäs Fors, partner at Mannheimer Swartling, claimed that some companies in May and June probably thought that there was a good opportunity to engage in M&A activity as they started to gain some confidence again.

“There were probably those who had plans on selling earlier that year but who were forced to wait. We experienced that a lot of companies paused their processes in March but came back again in May to restart their processes as they thought ‘well, this [the Covid-19 crisis] cannot last forever’”

(Emma Olnäs Fors, personal communication, 2021-03-23)

Alexander Bergqvist, manager at EY, together with respondent 1, who is VP at an IT consultant company, added that many companies have had experiences from earlier crises and the opportunities in terms of M&A windows. Respondent 5 draws parallels to the IT-crisis and claimed that companies who exploited the M&A window and bought defaulting IT-companies in 2000 made extraordinary investments, especially since IT and digitalization has been a growing area ever since. The respondent believes that many companies remembered this opportunity during 2020, which most likely have been a driving factor for their engagement in M&A activity during the year.

However, a majority of the respondents claim that the opportunity during 2020 does not appear as a traditional M&A window in terms of decreasing prices. Many companies had, in contrast to the circumstances during a traditional M&A window, the financial resources to engage in M&A activity during 2020 which was due to the massive support in terms of government welfare funds and a wide access to “cheap” capital driven by low interest rates. Turning to the former, a majority of the respondents highlighted that when the Swedish government made official promises to support the economy, a confidence was triggered among companies. Oskar Godberg, VP and COO of CombinedX, explained that the situation was tough in March and April, which all of the other respondents agree on, but as soon as they realized that it is not a financial crisis and that the government would support the economy, they thought *“it is not the end of the world”* and started to analyze what industries had been hit hard and map it to themselves and their own company situation. For example, Kristina Willgård, the CEO of Addlife, stated that their company took comfort in knowing that both their own company and the potential target company had managed the crisis well and it therefore felt safe to go through with the previously paused deal. Thus, several of the respondents brought up the massive government support via economic grants and economic reliefs as a reason for why the traditional M&A window did not occur to the same extent as in earlier crises. It resulted in very few distressed deals during the year so that the effect was rather reversed. Many companies that most likely would have been financially healthy

enough to handle the crisis on their own received extra money from the government which boosted their performance during the year. A majority of the respondents agree and explain that this resulted in much better financials among companies during 2020 compared to previous crises. According to respondent 1 and respondent 2, this enabled such companies to understand the intrinsic value in the assets they wanted to acquire as soon as the activity among companies resumed.

“A large amount of financial support has resulted in very few bankruptcies among companies. Only very small businesses such as small shops [...] have defaulted”

(Emma Olnäs Fors, personal communication, 2020-03-23)

Turning to the low interest rates that drove the wide access to cheap capital, one advisory firm (respondent 6) made it clear about the fact that the interest rates have been on low levels for several years and, hence, cannot be directly related to the Covid-19 crisis. Several of the respondents agreed but claimed that it did, however, play an important role in the recovery of the M&A market during 2020. The advisory firm who were mentioned earlier (respondent 6) claimed that both financial institutions and companies have had a surplus of money to invest during the crisis, which is an important difference compared to earlier crises.

“I think the most important factor is that there has not been a financial crisis here as there has been plenty of capital on the market, interest rates have been low, and there has been a lot of dry powder”.

(Respondent 6, personal communication, 2021-04-12)

Moreover, respondent 3 explained that low interest rates and few alternatives have made investors willing to take on additional risk, which the IT respondent claimed have pushed the M&A market. Willgård elaborates further and explains that many institutional investors were frantically looking for somewhere to invest their money as placing it on a bank account was simply no option and several of the respondents agree.

“Investing your money at an interest rate return was no alternative. There was a lot of capital out there and that capital needed to be invested, and it could not be placed in a bank account so it had to get out on the market and work for you”.

(Respondent 5, personal communication, 2021-03-19)

Thus, several of the respondents claimed that the wide access to capital was one reason for why a traditional M&A window did not occur and why the mentality among companies was different from previous crises. Several of the respondents stated that companies in 2020 seemed ready to move on as soon as possible, or at least as soon as the situation was somewhat stabilized and Johan Strid, the CEO of Prevas, believes that a positivism about the future among companies was one main reason for the restart in M&A activity. Furthermore, Strid tried to explain this mentality by referring back to the aftermath of earlier crises. Back then, both in the IT crisis and in the GFC, the economy was in a downturn and access to capital was very much constrained. The crisis in 2020, however, was rather a matter of an “*external shock that hit the otherwise flourishing economy*”, according to Strid who explained that many companies realized that as soon as the spread of the virus was somewhat under control and economies could open up again, business would return to normal. Thus, companies started to think about the reality after the crisis and, hence, how they wanted to position themselves accordingly. Strid, along with respondent 4, also highlighted the fact that companies had the best presumptions for a kick start in 2020 thanks to the low interest rates and the high activity on capital markets, driving their willingness to go back and operate their business as usual as soon as possible as they simply could not afford to wait and thereby risk to miss out on potential deals. The respondents explained that this is due to the high levels of baiting in sectors that were not badly hit by the Covid-19 crisis, in order to keep their market positions. Moreover, respondent 6 claimed that the mentality of some buying companies was that they saw opportunities to secure parts of their value chain. The respondent stated that these companies were hoping to pay for a company today that might generate return in the near future. As a consequence, many buying firms were ready to overlook temporary shortages in cash flows and pay a premium for selling companies who were considered to have been temporarily hit by Covid-19 restrictions but who otherwise had a sustainable business model.

Furthermore, respondent 6 explained that companies that either had a growth strategy consisting solely of organic growth or a combination of organic growth and growth through M&A prior to the Covid-19 outbreak had to put more emphasis on M&A in the latter half of 2020. One explanation for this, according to the respondent, is that many companies needed to accelerate their digitized transformation due to the new environment in terms of remote working (see a continued discussion in *4.3 The second explanation: The forced rapid*

implementation). What was more salient, however, according to Strid and respondent 3, was that companies were forced to increase their engagement in M&A due to the fact that their organic growth had declined in the months following the Covid-19 outbreak but the companies still had the pressure or desire to achieve growth goals. Respondent 3 calls this phenomenon a “top-down” push in order to compensate for the drop in organic growth.

“[...] we had a larger push or pressure to find new candidates since the goal was still the same; we must double [in size] in 5-7 years and the organic growth was declining, ‘we must focus more on our M&A part of our growth’. I think that it is the same for many of our competitors, they want to keep their promise to their stakeholders and shareholders that ‘we are a growth-company and we will not let the Covid-19 be an excuse to not be able to continue our growth’ which lead to the fact that M&A growth needed to be speeded up.”

(Respondent 3, personal communication, 2021-03-22)

Additionally, respondent 1 and Åsa Landén Ericsson, the CEO of C.A.G, discussed that the increased focus on the stock market also increased the importance of business valuations since shares can be used as a currency when engaging in M&A deals. As a result, when a buying company's valuation increases, the price per share also increases and the buying company is, thus, able to swap fewer shares for a specific price on the target company compared to a scenario where the price per share is lower. Therefore, buying companies are benefited by a high valuation on the stock market which enables them to engage more actively in M&A. Respondent 1 continues by stating that increased business valuations are often based on how successful companies have developed their niche but also on the company's ability to reach its growth targets. According to Godberg, growth is perceived as a very important metric among investors because if the company is considered to be too small, it is, consequently, associated with a higher amount of risk, resulting in a decreased demand for the stock and, thus, a reduced market value of the company. In line with this discussion and as already mentioned, the Covid-19 crisis hit the economy differently according to several respondents. Hence, many investors were attracted to those companies that did not only survive but also *improved* their performance thanks to the Covid-19 outbreak and one advisory respondent, respondent 6, claimed that the capital allocation on the capital markets was, therefore, somewhat skewed accordingly. The respondent, thus, claimed that a lot of the M&A activity during 2020 occurred in the sectors that benefited from this capital allocation.

Beyond the reasons mentioned above, 2020 was, according to several respondents, characterized by an opportunity for buying firms in terms of many selling companies on the market with interesting business models, mainly within IT, Artificial Intelligence (AI) and Business Intelligence (BI), that were initially not planning to sell. These companies were mostly small sized and did not have enough resources or motivations to go through another crisis. Additionally, according to an advisory respondent (respondent 5) there is normally an indirect gain for the selling companies to be purchased by a larger company since the selling company's business value increases following the arbitrage of being valued within a larger entity. The ability to maximize this arbitrage was increased in 2020 due to the high access to M&A-funding. Moreover, respondent 3 called the M&A push by the selling companies that wanted to be acquired as the "bottom-up" push which, according to respondent 3, contributed to the Swedish M&A recovery in 2020.

"A lot of the small and not financially healthy IT companies started to look for new owners to be sure to be kept alive and that created a bottom-up push"
(Respondent 3, personal communication, 2021-3-22)

Respondent 4 referred to it as "*big fish eat small fish*". For example, their company got contacted by a smaller company which earlier had not been for sale and the company of respondent 4 saw this as an opportunity to acquire the smaller company. Additionally, there was a high level of competition within the IT sector even before 2020, resulting in less growth than initially planned among some smaller IT firms. When the Covid-19 crisis later occurred it led to a major setback for the smaller firms which, according to respondent 3, triggered the desire to be acquired. Consequently, respondent 3 argues that many buyers were lured to acquire such companies, resulting in an overheated M&A market where valuations of selling companies were unchanged or even increased during the second half of 2020 in general. For example, respondent 2 stated that they, in their industry, did not experience decreasing valuations among selling companies. Instead, they saw many companies strengthen their margins, resulting in a reversed effect in terms of *higher* valuations, which is in contrast to the circumstances during a traditional M&A window in crises.

“We have not really observed that the valuations have decreased. Instead, we have experienced that many companies have continued performing well in our industry [the building industry] and strengthened their EBIT margins.”

(Respondent 2, personal communication, 2021-03-31)

When it comes to comparing the Covid-19 crisis with the IT bubble, a majority of the respondents claimed that although there are similarities in terms of a hype within the IT, tech and fintech industries, there are some important differences. For example, companies today within the mentioned industries have, as already mentioned, much stronger financials. Many respondents explained that this is linked to the fact that IT and digitalization play completely different parts in today's society. During the IT bubble, there was, as mentioned in section 2.1.4 *A comparison with the Covid-19 crisis*, high focus on technological *ideas* and many companies were solely built upon capital investments. Several respondents advocated that the IT companies in 2000 were more or less offering the market IT as *hardware* products and very few understood how the products would help their business operations and why one should invest in it.

“During the IT bubble, we sold a form of Ipad as a hardware, it was all about the webpages, colorings and shapes but no offerings in terms of software content. In other words, back then it was a strong focus on the company shells, now, on the other hand, the focus lies in the specialized offerings and consequently the content of the software”.

(Respondent 4, personal communication, 2021-03-26)

According to Landén Eriksson, the internet in 2000 was viewed as “the new big thing” and Godberg continues by stating that IT and digitalization in companies' business models today is as equally important as oxygen.

“Today, it is no longer the case that ‘this is something we invest in when we can afford it’. It is more like electricity, like oxygen. You know that there is no alternative. You know that you must invest in these areas if you are to remain on the market at all”.

(Oskar Godberg, personal communication, 2021-03-24)

In line with this discussion, respondent 4 experienced that today's customers faced the same importance of digitalization and, hence, demanded more digitized offerings to a higher extent than ever before. Several respondents stated that today's IT and tech companies are now offering *software*, together with the fact that there are legitimate companies behind the products today, compared to the ones during the IT bubble. Respondent 6 agreed and stated that although there are a lot of uncertainties on a macro level, many sectors are characterized by the opposite; a strong forward drive, not least in the IT and tech sector. For example, in the perspective of the need for mobile payment solutions today, it is questionable, according to the respondent, to state that there exists any uncertainties in those industries at all, which is a large contrast to the IT bubble in 2000.

“With regards to mobile payment solutions and that kind of products, is it really an uncertain time now? Not really. In fact, online shopping has increased even more during 2020 and everything is becoming more digitized. So in that perspective, there is rather little risk in doing business today.”

(Respondent 6, personal communication, 2021-04-12)

Furthermore, the same respondent argued that the IT bubble was very much sector specific; the massive amount of capital was invested in the IT sector and was dissolved as soon as the bubble burst. However, even though the burst affected all actors that were heavily invested in the IT sector, there were some sectors that, similarly to the outcome in 2020, were not affected at all. One example, according to respondent 6, are companies within heavy industry that were able to continue their business operations more or less as usual.

When the respondents were asked about what differentiates the Covid-19 crisis from the GFC, all agreed that the crisis in 2008 was a pure *financial crisis*, i.e. the problem was a flawed financial system and suddenly, when the crisis hit on a global level, there was limited access to capital and liquidity and, thus, according to Bergqvist and Oscar Lundqvist who is responsible for renewable investments at Polhem, a lost confidence of the financial system. Respondent 3 explained that in the aftermath of GFC, M&A was mainly driven by strategic companies with strong financials. However, several of the respondents claimed that the main difference between the Covid-19 crisis and the GFC, was the significant presence from private equity firms and venture capitalists whose business operations are to invest in other

companies, contributing to the Swedish M&A recovery which they did not in the GFC due to the lack of liquidity the following years after the crisis' outbreak.

“One driving factor for the increased M&A activity is the private equity firms nowadays who are many and large with a lot of capital which they invest in all kinds of operations. They also buy and sell from each other which widely drives the M&A activity.”

(Emma Olnäs Fors, personal communication, 2021-03-23)

According to respondent 3, these companies needed to invest all their money rather than placing their capital in the bank due to the low interest rates which would have had a negative effect on their liquidity. Respondent 6 believed that private equity firms were among the first companies to engage in new Swedish M&A deals after the crisis' outbreak, which improved the confidence in the Swedish market on both the buying and selling side. Olnäs Fors continues by stating that without the private equity firms early engagement in M&A, it is possible that the Swedish M&A recovery during 2020 would have been slower since the private equity firms in Sweden are large and many. The active engagement in M&A among these companies could, according to Bergqvist, be due to the fact that they have a more aggressive and specialized M&A strategy along with other methods to access capital than strategic companies.

“Of course, they have a completely different ability to raise capital to their funds. So they have a lot more cash and in general a more aggressive or defined M&A strategy. I would be surprised if they are not the most active companies on the M&A market.”

(Alexander Bergqvist, personal communication, 2021-03-30).

Another aspect of this is brought up by respondent 6 who advocated that a part of the increased M&A activity during 2020 started due to the fact that many private equity firms happened to have plans to execute several of their transactions in early 2020 but, due to the Covid-19 outbreak, they got postponed and were instead made in the second half of 2020. Furthermore, due to a more sustainable mindset on the market (both in Sweden and globally) private equity firms saw the crisis as an opportunity to reallocate assets in their portfolios to improve their market position.

4.2 Discussion: A comparison with previous crises

In this section, findings of the result in relation to the first explanation will be discussed. The main findings of differences and similarities between the Covid-19 crisis and the previous ones are illustrated in *Figure 1* at the end of this section.

First off, our results show that many companies have had experiences from earlier crises that it is usually profitable to engage in M&A during crises thanks to lower valuations among selling companies and, thus, lower prices. Accordingly, this has most likely been a driving factor for the engagement in M&A activity in Sweden during the second half of 2020 in terms of a pursuit to seize the M&A opportunity. These driving factors are confirmed by Hendrickson (2003) who claimed that the pressure to create value and growth are especially important in times of uncertainties. Gatti et al. (2013) elaborated further on this and claims that volatility and a reduced number of buyers on the market creates opportunities of acquiring businesses in turbulent times and, hence, receive higher returns on average. Eckbo (2009), Grave et al. (2012) and Beltratti & Paladino (2013) all agree that economic downturns create favorable conditions for potential fire-sales discounts. Therefore, the authors argue that M&A has emerged as a growth option for some companies that are financially healthy in times of crises and this was confirmed by some of our respondents' experiences as being one of the main reasons for the rapid Swedish M&A recovery in the second half of 2020.

It could be argued that one similarity among the three compared crises is that businesses with relatively high fixed costs and low margins even prior to a crisis would most likely get negatively affected by its outbreak. This is in line with the global observation by Dua et al. (2020) and our result which confirmed that this was the case for many small sized companies on the Swedish market as well. According to Dua et al. (2020), such companies, on a global level, were forced to sell to another company in order to survive in the long run after the crisis. This was confirmed by our result regarding the mentality among the selling companies on the Swedish M&A market.

Moreover, the result of this thesis reveals that the mentality of buying firms in 2020 was characterized by eagerness. For example, companies in 2020 hoped to pay for something today that would hopefully generate revenue within a short period of time. This is similar to

the mentality of investors during the IT bubble mentioned by Ofek et al. (2003) and Lusyana & Sherif (2016) as they were described as both optimistic and overconfident. After all, investments in 2000 were solely made upon the high hopes of technological innovations. However, according to Aharon, et al, (2010), the prevalence of M&A transactions in all sectors decreased at an even more rapid pace compared to the reduction during the IT bubble, despite the fact that the capital markets recovered. The opposite occurred in 2020 as the capital markets, instead, flourished. Hence, our results, in the perspective discussed by Aharon et al. (2010), show that companies' confidence is highly dependent on the functioning of capital markets. Another similarity is that uncertainty has been present in every crisis, which is confirmed by Strauss-Khan (2021). However, our results show that the uncertainty gap in 2020 lasted for a few months before companies realized that they were not, or were most likely not, going to be negatively affected by the Covid-19 crisis and its consequences. The reason is, according to Salsberg (2020) and McCombie (2020), that the Covid-19 crisis is not a financial crisis, which was also confirmed by the results of this thesis. The results, which is in line with Salsberg (2020) and McCombie (2020), further confirm that the development of the disease and the progress of the vaccines were the main factors behind the length of the crisis' downturn, not the recovery in the capital markets such as in earlier crises. For that reason, companies in 2020 were quick in their prognosis to forecast a brighter future where life would get back to normal as soon as people are vaccinated. Thus, there was not an option for companies to postpone the restart of their M&A activity. One can therefore argue that the M&A recovery was V-shaped rather than U-shaped, in contradiction to the previous crises, due to the quick return to business as usual among companies, which is in line with the global observation by Sharma et al. (2021).

Moreover, another important difference according to our result is that the capital markets and low interest rates have been a big driving factor for the Swedish M&A recovery as it has allowed for cheap access to capital, which is in line with Balezou et al. (2021) and Levy et al. (2020a). Although it has not been a unique driving factor in the Covid-19 crisis as interest rates have been on low levels for many years, according to Gatti et al. (2013) the interest rates were low in the aftermath of the GFC as well which facilitated M&A activity. Our result is in line with this and further shows that low interest rates definitely has allowed for more companies being able to fund their engagement in M&A activity, which is further confirmed by Levy et al. (2020a) but contradicts the last reason presented by Hendrickson (2003). Furthermore, Gatti et al. (2013) and Beltratti & Paladino (2013) showed that *few* companies

in earlier crises have had the financial resources required to engage in M&A activity, which benefits financially sound companies as there is low competition for acquiring distressed companies. Several of the respondents claimed that this was not the case in the Covid-19 crisis as many companies *did* have enough financial resources to engage in M&A activity. Consequently, there was, on the one hand, a lot of selling companies on the market, which appeared to be mostly small sized companies that could not handle the crisis independently, which respondent 3 referred to as the bottom-up push. On the other hand, many buying companies who saw their opportunity in terms of not the traditional M&A window, but an opportunity where many companies that initially had no plans of selling, were put out for sale. From the buying companies' perspective, there were a lot of valuable target companies for sale with interesting product offerings or valuable assets, many of them within the IT, AI and BI sectors, which, hence, meant an opportunity for the buying companies to increase growth and improve their market positions, resulting in high competition among buying firms. This is in line with Salsberg (2020) who claims that, on a global level, there would be a short M&A-window where companies with good liquidity and the risk tolerance to move quickly, who have had experiences from earlier crises, would, thus, gain on the opportunity presented in 2020. Our results shows that this was the case for *many* companies thanks to the high level of capital liquidity in the market and the massive welfare funds provided by the government. However, the fact that buying companies, according to Salsberg (2020), would have bargaining power since the seller often is in a less favorable position, was not the case in Sweden in 2020. Instead, there were a lot of buying companies with good financials looking for targets which resulted in unchanged, or even increasing, prices among selling companies rather than decreasing ones. Many respondents, however, claimed that this was very sector specific as some sectors that were hit hard by the Covid-19 crisis experienced decreasing prices of selling companies under financial distress. This is confirmed by Levy et al. (2020a) and Leach et al. (2021) who argued, on a global level, that less desirable assets in sectors that were hit negatively by the Covid-19 crisis were lower valued and, hence, resulted in distress sales. However, our results show that a majority of the respondents agree that most sectors did quite well during 2020. Thus, a traditional M&A window with decreasing prices and few buying companies presented by existing literature did not occur on the Swedish market in 2020.

Moreover, the low interest rates during the last years have led to a TINA situation (there is no alternative) among investors which, in turn, have led to a severe inflow of capital to the stock

market and an increased focus on growth opportunities. The latter have been largely rewarded by investors during 2020 where stock prices within mainly tech, fintech, IT and digitalization have risen tremendously. Investors were frantically looking for somewhere, except for a bank account, to invest their money. Correspondingly, companies felt a high pressure to deliver on their target goals, which is an important metric for investors' investment decisions, so their valuation on the stock market became highly important. For example, Landén Ericsson explained that their stock price was crucial in order to pursue deals at favorable terms where the payment method was in stocks, which is in line with the previous discussion by Aharon et al. (2010) regarding overvalued stocks as a motivation to engage in M&A activity. Furthermore, the importance of stock valuation could be argued to be in line with the Behavioral Hypothesis, mentioned by Harford (2005). This perspective states that companies are more willing to use stock as a payment method when they consider their company stock to be overvalued. In that case, stock as a payment method is preferable as the buying company will get more bang for the buck by paying with their overvalued stock. Moreover, the pressure on reaching growth targets became a top priority among Swedish public listed firms as non-growing companies were considered as a risky investment, while growth companies were considered as very attractive investments among investors. Therefore, the pause in the spring of 2020 made it even more important for companies to take on an aggressive growth strategy in which M&A was given a larger focus as organic growth was considered to be insufficient. In summary, the large focus on the stock market in 2020 can be considered as an important driving factor for the increased Swedish M&A activity and is, hence, an important difference from earlier crises where stock market participation did not recover to pre-crisis levels until several years after each crisis (Gatti et al., 2013).

Turning to the comparison between the Covid-19 crises and the IT bubble, Levy et al. (2020a) discussed that some similarities are uncertainty, the paradigm-shifting technologies and the intense competition for M&A transactions. Cantwell & Santangelo (2006) stated that during the IT bubble, companies needed to invest in external knowledge regarding technology since the majority of the companies lacked the required knowledge in-house, which was further confirmed by our respondents. The diversification in core technologies also turned out to be crucial during the IT-bubble and, hence, a motivation towards M&A activity in 2020 as well. Additionally, the boom prior to the burst of the IT bubble was characterized by investments in technological innovations made by investors such as venture capitalists (Lusyana & Sherif, 2016; Ofek et al., 2003) which, according to our results, have

been observed prior to the Covid-19 crisis as well when investments have been made in smaller IT companies. Thus, the escalation prior to the IT bubble and the Covid-19 crisis are very similar. However, what is different this time, unlike the post-period of the IT bubble, is that the Covid-19 crisis outbreak, after a few months' pause, resulted in an upswing in capital among investors along with a boom in technological innovations due to the new environment companies had to adapt themselves to. Furthermore, many respondents claimed that many IT companies did not have sustainable business plans in 2000 and were also assessed on promised achievements rather than delivered ones, which is confirmed by Preissl et al. (2004), Aharon, et al. (2010) and Lusyana & Sherif (2016). Our results show that the situation during 2020 was the opposite and that companies within the IT and digitalization sectors in 2020 had much stronger capital structures and were, to a larger extent, assessed on delivered achievements. Another interesting difference is that they experienced a different type of demand from the customers in 2020 compared to the IT bubble as IT and digitalization in recent years have become as equally important as oxygen. This is in line with the global observation by Levy et al. (2020a) who argued that IT companies in 2020 had solid customer bases and the ability to generate revenue and sometimes even profits, which, according to our result, was the case for Swedish IT companies as well.

Regarding the comparison with the GFC, both existing literature, such as Strauss-Khan (2021) and Salsberg (2020), and the results of this thesis agree that the GFC differs from the Covid-19 crisis as it is a financial crisis where macroeconomic liquidity was exacerbated, resulting in several years of economic downturn. One interesting aspect here is that it shows how important liquidity is in times of uncertainties. The continuous access to liquidity throughout the year of 2020 along with massive support from the government was, thus, the big difference that prevented a global recession in 2020. Additionally, a substantial difference between the Covid-19 crisis compared to the GFC, with regards to the Swedish M&A market, is the early engagement by private equity firms and the venture capitalists in M&A activity, which gave strategic companies in 2020 the confidence to start engaging in M&A activity again. This is in contrast to the GFC where the global private equity market decreased by 40 percent in 2008 and another 87 percent in 2009 and did not recover until after several years (Kend & Katselas, 2013). On the Swedish M&A market, private equity firms play an important role as they are both large and many with aggressive M&A strategies so the effect they had on the Swedish M&A recovery was, thus, voluminous. Our result shows that if it were not for these companies, the Swedish M&A recovery would probably not have been as

rapid. Additionally, the recovery in the second half of 2020 can be compared to the one in 2012 where a large amount of capital was raised by shareholders which resulted in increased shareholder participation and was, according to Gatti et al. (2013) viewed as a driver for the increased post-crisis M&A activity. The M&A recovery in 2012 was, according to the author, also due to historically low cost of capital and low interest rates. Our results show that the same kind of increased focus on the stock market, low cost of capital and historically low interest rates acted as driving factors for the Swedish M&A recovery in 2020 except that this time, it happened over a few months and during the prevailing crisis.

To sum up, even though industries were affected differently and some distressed deals occurred in some sectors, our result contradicts existing literature regarding the M&A opportunity in crises where the traditional M&A window did not occur in 2020 due to the wide access to liquidity, resulting in unaltered and in some times even increased target prices rather than fire-sales and distressed deals. Nevertheless, one can argue that there existed a different type of opportunity for many buying firms as there were many (small sized) selling companies with valuable offerings that had no plans to sell prior to the Covid-19 crisis outbreak, making the M&A market more attractive for strategic buyers during the year. Moreover, the similarities between the Covid-19 crisis and the previous ones is the uncertainty that arose in the outbreak of each crises, along with the fact that many companies who had fixed costs and low margins prior to each crisis have been more negatively impacted than others and, lastly, the observation that M&A activity in crises require access to liquidity is true for each crises. For that reason, the Covid-19 crisis is another type of crisis as 2020 has been characterized by a wide access to liquidity, in contrast to previous crises, along with an increased focus and participation on the stock market. In contrast to the IT bubble, IT and digitalization play a completely different role today and in contrast to the GFC, private equity firms and venture capitalists have had a substantial engagement on the M&A market. Thus, most of the respondents highlighted these factors, together with the large number of small sized selling companies, as driving factors for the rapid Swedish M&A recovery in the second half of 2020.

Figure 1 - Summarized findings of similarities and differences

Crises	Similarities	Differences
The IT bubble burst & the Covid-19 crisis	<ul style="list-style-type: none"> - Uncertainty - IT hype - Sector-specific - Negative outcome for companies with small margins 	<ul style="list-style-type: none"> - Business models - Hardware vs Software - The understanding of technology - Not a traditional M&A window
The GFC & the Covid-19 crisis	<ul style="list-style-type: none"> - Uncertainty - Negative outcome for companies with small margins 	<ul style="list-style-type: none"> - Liquidity - Private Equity firms - Not a traditional M&A window

4.3 The second explanation: The rapid implementation

When it comes to how the Covid-19 crisis affected M&A strategies, the respondents had different views. Some of the company respondents, as mentioned earlier, only paused their M&A activity along with the major pause in the market, claiming that no specific change in their strategy was made. Instead, they claimed that the M&A activity in 2020 was based on the long discussions and decision-making in the M&A processes, along with how big companies' previous takeovers had been. Respondent 1 stated that it was rather due to a large takeover the company did in the first quarter of 2020 that led to the decision to not do any further takeovers later on the same year, not due to the Covid-19 crisis per se. *“When you perform such a large takeover, then you probably lie low for a while [...] regardless of the Covid-19 crisis”*. However, these companies needed to make some adjustments in their strategies and M&A processes in 2020 in terms of digitizing a part of or the whole M&A process due to the social distancing. Another example of how Covid-19 affected M&A processes was, according to the same respondent, that a deal which was under progress in early 2020 was hastened, since the company needed to close the deal faster than they had planned due to the uncertainty. However, the companies that did modify their strategies and M&A processes after the outbreak of the Covid-19 crisis used different approaches. For example, one company, of which respondent 4 is CEO, saw the crisis as an opportunity to change their strategic position by replacing their old business model systems with newer ones. In order to succeed with this upgrade, the company needed to acquire a company which was specialized in this area. Furthermore, the company of respondent 3 changed its mindset towards the crisis and tried to view it as an opportunity instead of a crisis and hence developed a new strategy.

“We slightly changed strategy [...] we needed to have a much stronger pipeline for M&A candidates so that if one negotiation did not succeed, I needed to have at least five other options to move on to”

(Respondent 3, personal communication, 2021-03-22)

Turning to the changed company structures in relation to rapid implementation, both carve outs and consolidations were discussed. Considering the former, Olnäs Fors and respondent 13 highlighted that there were unusually many carve outs during the second half of 2020. The reallocation of assets, according to Olnäs Fors and Lundqvist, was mainly skewed towards sustainable assets while other less long-term, less relevant, assets were sold. Furthermore, Olnäs Fors explained that companies tend to make carve outs in challenging times such as crises since they want to improve their operations and make it more efficient. The carve outs are also, according to Olnäs Fors, associated with the companies' ability to pay bank commitments and companies are therefore to a higher extent required to sell assets in times of crises. Respondent 6, however, claimed that *“For those who are not as affected by the crisis, crises are times for reflection”*. Companies, thereby, take time to reflect upon their business when there is less activity on the market. It was, hence, interpreted among several respondents that many companies used the drop in M&A activity during 2020 to review their businesses in order to improve their operations, which consequently increased the M&A activity. Regarding the increased trend of consolidation, according to Bergqvist, Landén Ericsson and Godberg, it was also a driving factor for the increased M&A activity when the competition among buying companies increased along with the increased desire to be acquired among selling companies, as mentioned in section 4.1 *The first explanation: Another type of crisis*. For example, many buying companies saw their opportunity to acquire target companies in order to strengthen their market position, resulting in consolidations on the market.

Regarding the rapid implementation in relation to digitalization, the respondents are unanimous about the fact that the Covid-19 crisis made the transformation towards more digital businesses faster.

“A positive thing with Corona is that we have received a digitalization boom, developments which otherwise would have taken five years now only took a few months.”

(Kristina Willgård, personal communication, 2021-04-13).

However, how much different industries were affected varied. Looking at the IT consulting industry, many companies bought smaller AI or BI firms to improve their customer offerings. According to one advisory respondent, respondent 6, larger IT companies purchased smaller companies as an attempt to stay relevant on the market.

“We observe that more companies are beginning to acquire specialized companies. We see large companies that acquire IT developers that are absolutely not part of their business offering. They buy competence instead of hiring it”

(Respondent 6, personal communication, 2020-04-12)

Landén Ericsson and respondent 4 agreed and further stated that newer and smaller firms within the IT sector have become more specialized in the last several years, with more tailor-made solutions compared to earlier. The larger companies, on the other hand, might not be as eager to innovate as these small firms resulting in larger firms purchasing these smaller specialized firms to protect their market position without having to put resources into their own R&D.

“There are more ‘niched’ outfits out there, ‘we want to be the best’. For example, companies within home delivery are very niched and then there are still large dragons out there who may not have the energy to drive innovation in that way themselves so for them it will be more attractive to acquire those supplements”.

(Åsa Landén Ericsson, personal communication, 2021-03-19)

This pattern is true for other industries as well but not to the same extent. According to one advisory respondent, respondent 6, heavy industry businesses are forced to make their processes more digital. However, since this is not within their core business and the competition of talented employees increased during 2020, it resulted in many takeovers of specialized firms rather than developing or recruiting the knowledge themselves. In line with this discussion, several respondents confirmed that there have been a lot of takeovers within IT and digitalization as the importance of having a more digitized business has increased. For example, according to Olnäs Fors, a company within the retail industry which was heavily affected by the crisis could still be a potential target if the business has digitized a part of its processes. If some companies lack the digitalization part or skills, takeovers of smaller digitalization firms could be made in order to stay relevant on the market.

Bergqvist highlighted the importance of digitalization by stating that companies have been able to be more *resilient* during the Covid-19 crisis thanks to the high level of digitalization in society. For example, companies and their employees have had the opportunity to work from home which has enabled them to have meetings over different online applications. Moreover, digitalization would be used as a strategy to mitigate future crises and thereby strengthen the business models. Respondent 4 stated, in line with this discussion, that decisions regarding IT have moved from the IT manager to becoming one of the most important tasks for the CEO. Furthermore, Godberg and Landén Ericsson, advocated that they did the assessment that their industry increased in importance both due to the transformation of digitalization during the Covid-19 crisis but also during normal times, which is confirmed by respondent 6. For that reason, they considered it to be relatively safe to start with their M&A activity again.

Respondent 6 discussed another aspect of digitalization during 2020 in terms of investment interests. As the crisis forced some parts of companies' supply chains in several industries to pause due to the difficulty to receive deliveries from countries in lockdowns, there has been an increased investment interest in digitized industries in which companies could keep operating their businesses and keep performing deals. In other words, when companies restarted their M&A processes, they wanted to be able to operate as soon as possible and not wait until the crisis passed, which resulted in an increased amount of takeovers of targets with digitized business models. However, the interest in investing in digitalization is a trend that has been present for a few years prior to 2020 and not only during 2020, which is confirmed by several respondents. Respondent 6 therefore believed that this digitalization boom is a consequence of the rapid recovery in the M&A sector rather than a driving factor.

“It [the interest to digitalize the business] has been present for a couple of years, but I think it has accumulated as one has engaged in deals where digitalization has been prioritized. As you are going to invest in something, you want it to work during the Covid-19 situation [right away] and then it is easier with a digitalized model that will work tomorrow [...]. However, I do not believe that this is a driving factor for the recovery, instead I think that it is a consequence of it”.

(Respondent 6, personal communication, 2021-04-12)

4.4 Discussion: The rapid implementation in 2020

In uncertain times, such as crises, M&A is often used in business strategies for financially healthy companies, not only for economic purposes but also for strategic ones (Cantwell Santangelo, 2006). According to several respondents, the Covid-19 crisis made companies reevaluate their businesses in order to identify vulnerabilities and how to position themselves in the aftermath of the crisis, which is in line with the discussions by both Balezou et al. (2021) and Krouskos (2020) as they state that macro-level shocks such as crises force companies to reevaluate their company strategies. Among the respondents, there are some examples of changed business processes. One company, for example, saw the pause in activity, due to the crisis, as an opportunity to change their strategic position on the market. Even though several respondents argued that they did not change their M&A strategies, it was stated that they were forced to digitize some of their processes due to the crisis and it is therefore argued that all respondents in some extent changed their strategies due to the Covid-19 crisis. One could also argue that the increased amount of carve outs is related to the importance of rapid implementation in times of uncertainty, since these carve outs might be due to a strategic change as companies reflect on their businesses. Thus, business parts that do not fit into the new strategy, or are not efficient enough, are therefore sold, which is in line with the discussion regarding forced rapid reassessments of strategic positions among companies by (Levy et al., 2020a). The same discussion could be applied to the consolidation, since the same strategic reflection could lead to consolidations instead of or as a complement to carve outs, if the company wants to add external knowledge in order to strengthen their market position the same way the position might improve if some business parts are sold.

Regarding digitalization, all respondents agree that its importance increased during the crisis and hence developed faster, which is in line with Harroch (2021) who stated that companies needed to increase their online presence. This was true for all industries, but varied in magnitude and was in line with the discussion by Levy et al. (2020a) regarding the increased digitalization focus due to the difficulties during the crisis. The increased digitized focus and, hence, an increased amount of takeovers of IT and digitalization companies, could be viewed as an attempt among companies to receive required digitalization knowledge which did not previously exist in-house. This is in line with the discussion by Berk & DeMarzo (2017) who state that adding external knowledge is one of the main reasons for engaging in M&A. Respondent 6 further stated that the fact that larger IT companies purchase smaller

specialized firms as an alternative to develop the knowledge in-house is a well-used strategy. Some respondents argued further that if some companies missed the importance of a transformation towards digitalization in the years prior to the crisis, M&A could be a fast way to compensate for the shortage. This discussion is in line with Cantwell & Santangelo (2006), who states that due to high competition during downturns, companies cannot develop sufficient knowledge by themselves in order to keep the pace with continually developing businesses. Eckbo (2009) continues by stating that deal making is, hence, the fastest strategy to fill knowledge skills in order to create value in the long run. Consequently, the majority of the respondents highlight that many takeovers during 2020 were related to IT and digitalization. This is in accordance with both Levy et al. (2020a) and Goksör (2021) about the increased focus and adjustments towards a more digitized business due to the crisis. It could consequently be argued that companies, which succeeded with the digitalized adjustments, managed the crisis smoother than companies which did not. Hence, Godberg stated that digitalization will be a strategy to mitigate future crises by improving the business. One example of digitalization as a mitigation strategy in a crisis was when Godberg argued that this increased digital importance in society made them more comfortable to engage in M&A activity again, even though the crisis was not over.

Moreover, according to our result, the increased importance of digitalization during the Covid-19 crisis is considered to be a digitalization boom since the digitalization development in 2020 would have taken several years instead of months if it were not for the Covid-19 crisis' outbreak. Furthermore, the digitalization boom in 2020 could be viewed as similar to the IT- and computer booms prior to the IT bubble discussed by Harford (2005) and Cantwell & Santangelo (2006), where companies needed to rapidly implement technological knowledge due to the increased importance of technology in 1986. The majority of the companies lacked this knowledge which resulted in increased M&A activity to fill the gaps. The same happened in 1998 when the internet came, and the companies therefore increased their IT related knowledge once again through M&A. These transformations, which occurred in 1986 and 1998, are explained by Harford (2005) in accordance with the Neoclassical Hypothesis, where M&A waves are claimed to be reactions on macro-level shocks, which was discussed earlier, in order to manage the competition on the market, arguable applicable to the digitalization boom in 2020 as well. However, the difference in 2020 compared to 1986 and 1998, could be argued to be the type of technological knowledge, as discussed in section

4.1.1 *The IT bubble: Similarities and Differences.* Hence, the digitalization boom is viewed to be a new kind of M&A wave.

Nevertheless, digitalization as a driving factor for the Swedish M&A recovery during 2020 has been questioned by an advisory respondent, respondent 6, who instead claimed it to be a *consequence* of the M&A recovery rather than a *driving factor*. Therefore, one could argue that the digitalization's aspect is twofold. On the one hand, it could be argued, as respondent 6 stated, that the increased digitalization focus is a consequence of the recovery. On the other hand, one could also argue that the high digitalization interest in recent years got a boost by the crisis mainly due to remote working. As a result, digitalization enabled companies to keep operating during the crisis and start with their M&A processes as soon as they did, meeting the high competition on the market. Without the digitalization boom, companies might not have been able to start with their M&A activity in 2020 even though the willingness and urgency, in terms of meeting the high competition, existed. This could be viewed as true for all companies regardless if they stated that they changed their business- and M&A strategies or if they only paused their M&A processes, due to the fact that companies were forced to work remotely.

To sum up, the uniqueness of the rapid implementation during the Covid-19 crisis is argued to be the increased role and importance of digitalization, which was strengthened by the fact that a lot of companies needed to start work remotely after the crisis' outbreak. Other implementation aspects have been discussed as well such as the increased amount of carve outs and consolidation. The reason is, as previously mentioned, that crises give companies which are not as affected by the crisis time for reflection. Nonetheless, they were all viewed, according to our respondents, as explanations for the rapid M&A recovery in 2020 due to the magnitude of carve outs and consolidations along with the unique development of digitalization. Additionally, it could be argued that the crisis turned out to be a digitalization eye-opener which showed companies another way to do business than status-quo.

5. Conclusion

The purpose of the study is to expand existing research regarding M&A activity in crises by providing a study about the remarkably rapid recovery on the Swedish M&A market during the Covid-19 crisis. Based on the findings, it was established that both explanations, to some degree, were applicable to the rapid Swedish M&A recovery in 2020. The first explanation,

that the Covid-19 crisis is a different type of crisis, is viewed as one of the main explanations for the rapid Swedish M&A recovery among the respondents. Furthermore, the differences compared to earlier crises are several but the most striking one is the easy access to liquidity on the market, which resulted in remaining confidence among companies and an increased activity on the stock market during 2020. Consequently, the pressure on growth among companies increased during 2020, especially since creation of value and growth are even more important in uncertain times, and many companies were, thus, able to exploit this opportunity. However, the access to liquidity triggered a different type of M&A opportunity due to the easy access to capital as distressed deals and fire-sales were limited to specific sectors, resulting in unaltered or, sometimes, even increased target prices. The second explanation, the rapid implementation, contributed to the rapid Swedish M&A recovery mostly in terms of the rapid implementation towards digitalisation but also due to the fact that financially strong companies had time to review their business models and their strategic position. Consequently, such companies had time to make structural changes such as carve outs and consolidations. Another interesting finding is that the increased engagement of private equity firms and venture capitalists was an additional, and substantial, driving factor specifically for the Swedish M&A recovery in 2020. Overall, it could therefore be declared that the situation leading to the rapid Swedish M&A recovery in 2020 appeared as a loop. Starting with easy access to liquidity, leading to an increased interest in the stock market, and, hence, an increased competition in the M&A sector, resulting in both a top-down push in terms of increased pressure on growth and a bottom-up push in terms of limited resources, which in turn required access to liquidity on the market. Consequently, these effects resulted in an increased M&A activity and, hence, a rapid M&A recovery during 2020.

Our thesis contributes to existing research with new insights about the fact that a crisis' effect on M&A activity is very much dependent, on the one hand, on the type of the crisis per se (such as to what degree it is a financial crisis or a health crisis) and, on the other hand, government support, access to liquidity and the flexibility in adapting business models due to changed society conditions (such as remote working) and, thus, the capability to continue business operations in the new settings, as well as prominent actors such as private equity firms. This contribution could be valuable for professionals within the field who wish to deepen their understanding of how future crises affect the market. This study could also be valuable for practitioners regarding how they could react and adapt their M&A strategies in times of crises.

6. Future research

The fact that the Covid-19 crisis was not over when our thesis was written limits the findings and conclusions since several future consequences of the crisis cannot be observed or analyzed. Therefore, it would be interesting to study the situation in the aftermath of the crisis in order to discover additional consequences. Other interesting aspects were acknowledged in relation to our findings, however, due to several reasons, such as the timeframe and scope of the thesis, these aspects were viewed to be better suited to future research. For example, the potential impact of SPAC companies due to the increased interest in the stock market. It could be of interest to observe if the Swedish M&A activity in 2021 got an additional boost by SPAC companies' similar to the one in the United States mentioned by Levy et al. (2020a). Furthermore, the fact that some M&A deals were considered speeded might lead to additional carve outs since the decision to acquire the target might have been too hasty. However, it is yet too early to establish and could therefore be included in future research. Finally, the importance of liquidity has been highlighted throughout our thesis. Nonetheless, it would be interesting to discover the potential consequences if the access to capital decreased in the future. For example, it would be interesting to observe potential consequences on future M&A activity if interest rates increased, the stock market entered a downturn and the funds from the Government needed to be repaid.

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Appendix

Appendix 1 - Interview guide for the bidding companies

Background

- Presentation about the interviewers and the master thesis background and purpose.
- Could you please tell us a little bit about yourself and your role in the company?

Theme 1 - M&A during the Covid-19 crisis

1. Despite an uncertain situation, there has been an increased M&A activity during the second half of 2020. What do you believe are the reasons for this?
2. Why, do you think, has the Swedish M&A recovery been more rapid in 2020 compared to earlier crises, such as the IT-bubble and the Global Financial Crisis?
3. How, according to your opinion, was the market competition affected by the crisis in 2020?

Theme 2- The company

4. How was your company affected during 2020?
 - a. Did you see any difference between the first half and second half of 2020?
(How was the business affected and how did the company recover?)
5. How was "your" industry affected during 2020?
 - a. Did you see any difference between the first half and second half of 2020?
(How was the industry affected and how did it recover?)
6. What motivated you to acquire XX?
7. Do you perceive any difference in how you are working with M&A activity before and after the Covid-19 crisis in 2020?

Potential follow up questions

- How has access to liquidity affected the M&A activity during 2020?
- In previous crises an M&A window has occurred, with lowered target prices. Is this something you have seen in this crisis as well?

Concluding question

- Do you want to add anything, additional remarks, reflections or clarification?

Appendix 2 - Interview guide for the advisory companies

Background

- Presentation about the interviewers and the master thesis background and purpose.
- Could you please tell us a little bit about yourself and your role in the company?

Theme 1 - M&A during the Covid-19 crisis

1. Despite an uncertain situation, there has been an increased M&A activity during the second half of 2020. What do you believe are the reasons for this?
2. Why, in your opinion, has the Swedish M&A recovery been more rapid in 2020 compared to earlier crises, such as the IT-bubble and the Global Financial Crisis?
3. What do you believe motivated companies to start with their M&A activity again during the prevailing crisis?
4. Do you think the Swedish companies work differently with their M&A strategies before and after the Covid-19 crisis in 2020?
 - a. Why/why not?
5. Regarding the M&A deals made in 2020, do you have any perception about how many were, roughly, done by Private Equity firms?

Theme 2 - Industries

6. Have you noticed if some industries were affected more than others by the Covid-19 crisis?
 - a. If yes, which?
7. Have industries which have been affected differently by the crisis had different M&A engagements?
8. When the M&A activity restarted in the second half of 2020, did you notice any particular industries which engaged in these M&A deals?
9. Did the firm size affect the M&A activity in 2020?
10. In your opinion, is it financially strong companies that takeover less financially strong companies or is it rather distressed companies that merge in order to avoid bankruptcies?
11. In general during 2020, did the M&A deals occur within the same industry or between industries?
12. Did consolidation increase during 2020 compared to earlier years?

13. Do you think that the SPAC companies affected the Swedish M&A recovery in 2020?

Potential follow up questions

- How has access to liquidity affected the M&A activity during 2020?
 - Do you believe that companies tried to exploit this opportunity in fear of for example, higher interest rates?
- In previous crises an M&A window has occurred, with lowered target prices. Is this something you have seen in this crisis as well?

Concluding question

- Do you want to add anything, additional remarks, reflections or clarification?