

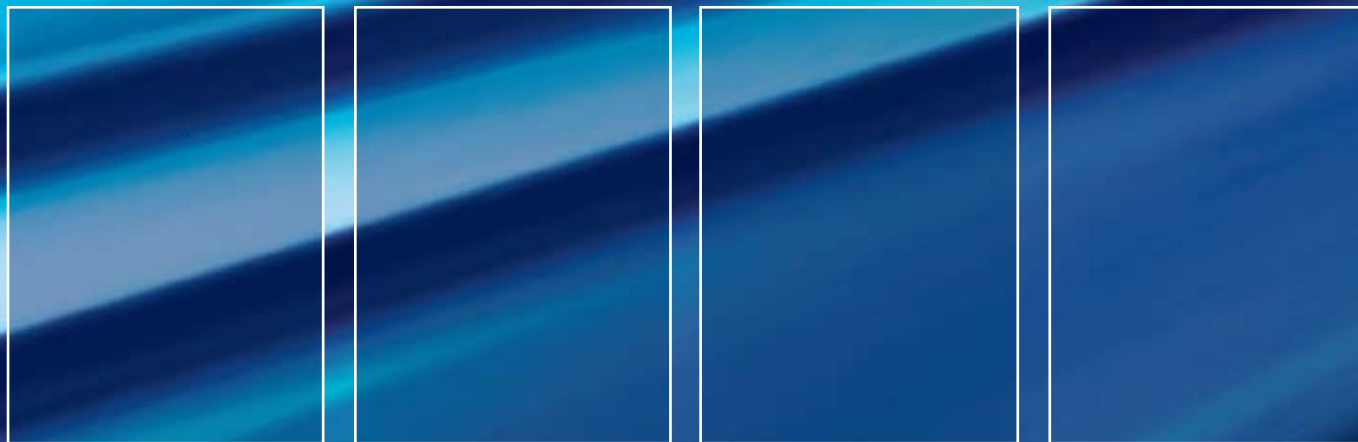
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NORDIC REPORT 2010

FOURTEENTH EDITION

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For further information please contact:

Sweden: Christer Wiberg, Head of Transaction Services
+46 702 79 95 16, christer.wiberg@kpmg.se

Sweden: Taus Wolfsberg, Head of Private Equity Group
+46 733 27 20 62, tauswolfsberg@kpmg.se

Finland: Berndt Schalin, Head of Private Equity Group
+35 84 08 42 94 69, berndt.schalin@kpmg.fi

Denmark: Soeren Krejler, Head of Transaction Services
+45 25 29 37 26, skrejler@kpmg.dk

Norway: Jonathan Farnell, Head of Transaction Services
+47 40 63 90 81, jonathan.farnell@kpmg.no

kpmg.com



Editor
Emanuel Eftimiu
emanuel.eftimiu@incisivemedia.com

Contributors

Julian Longhurst
julian.longhurst@incisivemedia.com
John Bakie
john.bakie@incisivemedia.com
Rikke Eckhoff
rikke@eckhoff.org

Publishing director
Catherine Lewis
catherine.lewis@incisivemedia.com

Production
Chris Morrish
chris@cypressdesigns.co.uk

Marketing
Helen Longhurst
helen.longhurst@incisivemedia.com

Advertising & sponsorship
Stephen O'Sullivan
stephen.osullivan@incisivemedia.com
Steinar Liverud
steinar.liverud@incisivemedia.com

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Incisive Financial Publishing Ltd
Haymarket House
28-29 Haymarket
London SW1Y 4RX
United Kingdom

Tel: +44 20 7484 9700
Fax: +44 20 7004 7548
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The Acquisition Finance unit of SEB is a leading arranger of senior debt and mezzanine for leveraged acquisitions in Northern Europe. With team members located in Stockholm, Copenhagen, Helsinki, Frankfurt and London, SEB has participated in more than 250 transactions, underwriting debt totalling over €12bn including over €600m of mezzanine in 45 companies.



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Nordic buyout markets in thaw?

BY JULIAN LONGHURST



While buyout markets in the rest of Europe are only showing modest signs of stirring, activity levels in Europe's most northerly region are picking up nicely, indicating that the two-year winter for local buyout investors may be giving way to spring.

Fears of a double-dip recession are easing slowly in the Nordic region and confidence in business projections are on the rise. At the same time, local banks have responded well to the government intervention seen during the liquidity crisis and have largely worked through the issues that arose via exposure to the crippled economies of their Baltic neighbours. Given these welcome strands of good news, it is not surprising that the local buyout machine is grinding back to life: the region has a modest, but very well-established, population of buyout investors and many of them have been sitting on substantial reserves of dry powder throughout the downturn. The question is whether the end of hibernation for a bear market will lead to some of the mistakes made during the bullish times?

Cushioned crash

By way of a background to the current buyout market conditions, it is worth bearing in mind that the Nordic region was not initially as affected by the sub-prime chaos as other markets by dint of the fact that its banks had little or no exposure to



'By and large, the debt community is happy with the way the GPs handled the crisis and vice versa. We also have the governments to thank: they stepped in so quickly that the worst of the liquidity crisis did not last that long'

Simon Wakefield
SEB Merchant
Banking

those toxic assets. However, the region's banking sector was not spared when the collapse of Lehman Brothers in September 2008 sent shockwaves throughout the world's financial markets, leading to a global liquidity crisis.

Like it did elsewhere, the sudden disappearance of leverage had an immediate impact on the level of deal completions: the number of private equity-backed buyouts completed in the Nordic market fell from the 70s in 2007 and 2008 to just 33 in 2009. The drop in value terms was even more pronounced, with the market falling from €18.5bn in 2007 to €6.1bn in 2008 and then to just €4.3bn in 2009.

Out of hibernation

According to local practitioners, the buyout market remained virtually paralysed until the third quarter of 2009, with little available debt and tremendous uncertainty surrounding the economy amid predictions of a "double-dip" recession. Since then, however, economic fears have eased and there has been a discernible, if slow, thaw in the market.

Initially, the improving outlook was slow to translate into actual completions but, as Gabriel Urwitz of Swedish mid-market specialist Segulah explains, the market is now beginning to open up: "Dealflow has been slow to gain any real momentum,



but in March and April this year we have seen a material jump in the pipeline and there are certainly more structured processes in the marketplace. We also note quite high prices in different ongoing bidding situations.” Lars Grinde of Oslo-based GP Norvestor agrees: “The intelligence we are getting from the corporate finance houses is that they are building up their ‘order books’ and are staffing up accordingly.”

As far as the source of the dealflow is concerned, things are also returning to some form of normality after an unusual period. “The opportunities coming into the pipeline now are much more along the lines of what we would normally expect – a mix of corporate disposals, secondaries and sales by entrepreneurs. Last year’s dealflow was dominated by distressed situations and vendors with totally unrealistic price expectations, but this is receding now,” says Grinde.

Banks back in play

Clearly the main driver of the market’s gradual emergence has been the resumption of lending activities among the region’s population of leveraged finance specialists. As banks’ confidence in the economy improves, their structured finance teams – generators of premium fee income in normal market conditions – are under increasing pressure to get back into the market. “In 2009, profit shortfalls in the leveraged finance operations were offset by some windfall earnings in other areas. But these exceptional trading revenues have reduced now so the pressure is back on to generate regular revenue,” explains Simon Wakefield, global head of acquisition finance at SEB Merchant Banking.

This is aided by the fact that relations between the GP community and the banks have remained comparatively good throughout the economic crisis. Of course there were many cases where debt structures had to be re-worked, but this often involved the adjusting of covenants and amortisation schedules; there were actually few cases where the banks ended up owning assets, as the private equity

backers generally reacted well, putting up new equity to retain control of their investees. “By and large, the debt community is happy with the way the GPs handled the crisis and vice versa. We also have the governments to thank: they stepped in so quickly that the worst of the liquidity crisis did not last that long,” explains Wakefield.

But participants, both on the banking and GP side, are quick to point out that the lenders active in the market remain conservative and at this stage the availability of debt is merely returning to “normal”, pre-boom levels. Typically this means that the banks are prepared to lend 4-5x EBITDA, though, as ever, there are occasionally premium multiples available for the assets with the most promising earnings profiles.

What is more, lending volumes remain modest in scale. Although there are some exceptions – for instance the larger French banks, which survived the crisis in better shape than many – the big international lenders are still not in play in the region. This means that the larger end of the buyout market, which generally relies on syndications of large tranches of paper, is still problematic. The smaller end of the market and the mid-cap segment is much more likely to recover quickly, being the preserve of club and single-arranger transactions.

However, what does not appear to be coming back to normal, at least for the moment, are pricing levels. “The 175-225 basis point range that was considered normal for tranche-A debt has changed,” says Wakefield. “These are now priced at around 450 basis points. This is a reflection of the increased funding costs and capital requirements, as well as perceived risk. However, there is an expectation that prices will soften in due course,” he continues.

Dry powder

Although the positive developments in the debt market and increased corporate finance activity point towards a more favourable

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Selection of recent Nordic buyouts

Company name	Deal date	Country	Value €m	Equity syndicate	Business description
Baggium Group	Jan 2010	Sweden	53.21	FSN Capital	Swedish provider of education and care services
Envirotainer	Jan 2010	Sweden	62.08	AAC Capital Partners	Supplier of temperature controlled logistics to the pharmaceutical industry
Pretax Group	Jan 2010	Finland	25	Sponsor Capital	Offers financial administration services
Ambea	Feb 2010	Sweden	850	KKR, Triton Partners	Provider of healthcare services
Team Ortopedteknik	Feb 2010	Sweden	17.73	Volati	Produces, adjusts and sells orthopedic technical aids
Advantec	Mar 2010	Norway	n/d	Norvestor Equity	Supplier of electro hydraulic control systems and services to the subsea oil and gas market
IMIX Holding	Mar 2010	Finland	20.49	Sunstone Capital	Developer of digital radiography
Esperi	Apr 2010	Finland	n/d	CapMan	Producer of thermal wood
Kotka Mills	Apr 2010	Finland	24.	OpenGate Capital	Wood and paper products manufacturer
Nordax Finans	Apr 2010	Sweden	105	Vision Capital	Provider of unsecured consumer loans
Solhaga	Apr 2010	Sweden	60	Bridgepoint Capital Limited	Specialises in care services to people with autism and related illnesses
Waterjet Entreprenad	Apr 2010	Sweden	n/d	Procuritas	Provider of hydro demolition, concrete repair and industrial maintenance services
Frösunda LSS	May 2010	Sweden	n/d	HgCapital	Specialist disability care provider

Source: unquote/Private Equity Insight

deal-doing environment, a number of participants in the market have highlighted the overall level of dry powder as an issue that could potentially cause problems further down the line. “There is definitely a risk that eagerness to get deals away could translate into price inflation, which could affect returns,” comments CFO of Altor Partners, Jesper Eliasson. Kai Jordahl of CapMan seconds this opinion: “There is always a danger that the amount of dry powder in the market could lead people to be a little less selective than they would be if money were a little tighter.”

However, neither of the two investors sees this as a major problem, as the market is still erring on the side of caution, both on the part of GPs and the leveraged finance providers. “It is worth noting that many of the funds that have significant dry powder are coming towards the end of their investment periods. Some may well decide to leave the capital undrawn rather than seek extension,” notes Jordahl.

For Eliasson, maintaining pricing discipline will be crucial in maintaining strong returns and the key here is held by the senior lenders: “We are seeing a positive development in the market at the moment, which is that senior lenders are working hard to differentiate between bidders and their ability to develop the target asset and deliver growth; not everyone can secure debt at the same terms any more,” he argues.

Barometer rising?

On the face of it, then, it appears that the barometer is definitely on the rise for the Nordic buyout market. The leveraged finance teams have been given the nod by their superiors, the corporate financiers are re-building teams to deal with the backlog of sale mandates that got put on ice pending fairer conditions and the GPs, for the time being at least, have plenty of capital.

But the market is unlikely to get carried away by these first signs of spring: many businesses in the region had such a tough time during the downturn that it will be a little while yet before their owners – corporate, institutional or otherwise – feel that their profit margins have recovered sufficiently to consider a sale mandate.

There also remains the possibility of storms on the horizon: the 2005-2007 vintage deals, especially at the larger end of the market, were done in “bubble” conditions and many of these will simply not be able to meet their debt obligations as the amortising element of the structures kick in over the next three years. These may yet come back to haunt GPs who will already be facing a tough challenge to raise new funds in the post-crisis environment. So, despite the fact that it is emerging out of a period of hibernation, the Nordic market could still tend towards being a little bearish. ■



LET'S TALK MERGERS & ACQUISITIONS

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The green revolution

BY JOHN BAKIE

Over the past five years, early-stage and expansion investments in clean technologies have grown from almost nothing to become one of the most active venture sectors. Across Europe, substantial funds have flowed into companies looking to develop environmentally-friendly infrastructure, products and services, and the Nordic region is rapidly becoming a key area for green investments.

While the region has always had a substantial oil & gas sector, which some reports suggest is worth almost \$35bn, many Nordic entrepreneurs are now looking at alternatives to fossil fuels. As the chart opposite demonstrates, venture and expansion activity has boomed in recent years as the environmental movement took off, and investors began to see the possibility of real returns from green technology.

Governments in the region have also done their bit to encourage venture investment in new cleantech companies. In 2009, the Norwegian government said it hoped to invest NOK 20bn of public sector pension fund assets in clean technologies over a five-year period. Ironically, the bulk of Norwegian pension assets come from the former Petroleum Fund of Norway, which is largely funded by oil industry profits rather than pension contributions. Money from fossil fuels is now providing the capital needed to develop cleaner sources of energy production.

In 2007, the Seventh Swedish National Pension Fund made a similar move, announcing it would invest SEK 3bn in unlisted environmental technology companies, with half this money earmarked for Nordic-based firms. This presents substantial opportunities for cleantech venture fundraisers to seek LP capital, as



‘In Norway, wind speed hits nine meters per second. Denmark is almost completely flat with water bordering it on three sides. Clearly the region is geographically suited to wind turbines’

Jens Thomassen
HgCapital

well as team up for investments in green companies.

Since the green movement caught the eyes of politicians and the media earlier this decade, early-stage and expansion cleantech investment in the region has grown rapidly, from a mere €1m in 2005, to more than €47m last year. The sector even bucked the market trend in the annus horribilis that was 2009, with the total value of investments rising 4.3% between 2008 and 2009, while the volume of deals increased 45% to 16.

Jens Thomassen, partner at HgCapital, says the region’s geography is a major factor in its success in attracting green venture capital, particularly for clean energy generation projects. “If you look at the coast of Germany, wind speed is maybe four meters per second, whereas in Norway, it hits nine meters per second. Denmark is almost completely flat, with water bordering it on three sides, so again wind speed is substantial and reliable. Clearly the region is geographically suited to wind turbines,” he explains.

Several Nordic companies hoping to cash in on the growing wind farm business have received venture funding in recent years, including ChapDrive, which uses its technology to make wind turbine gearboxes more efficient and reliable. The firm received its first venture investment in July 2007, when Northzone ventures showed an interest in the spin-out from the Norwegian University of Science and Technology. Since then, it has received three further investments, the most recent in March 2010, thought to total in excess of €30m. The company continues to work towards full commercialisation of its product, which is thought to have an addressable market worth around €1.8bn.

However, the region has also seen several investments in solar energy companies,

something which this northerly part of the world may not, at first, seem suited to. While its high latitude presents a barrier to year-round solar power generation, several Nordic firms are using their expertise and technology to develop products which support the infrastructure and development of solar energy plants. In late 2009, Stockholm Innovation provided SEK 2m to Solarus, a developer of hybrid solar cell panels, which produce both heat and electricity and can cut costs by up to 30%.

Another firm, Innotech Solar, has developed systems to reduce solar cell waste, making the process of manufacturing cells more efficient. Northzone Ventures participated in its first round of funding, in March 2008, and was joined by Curzon Park Capital for a second round.

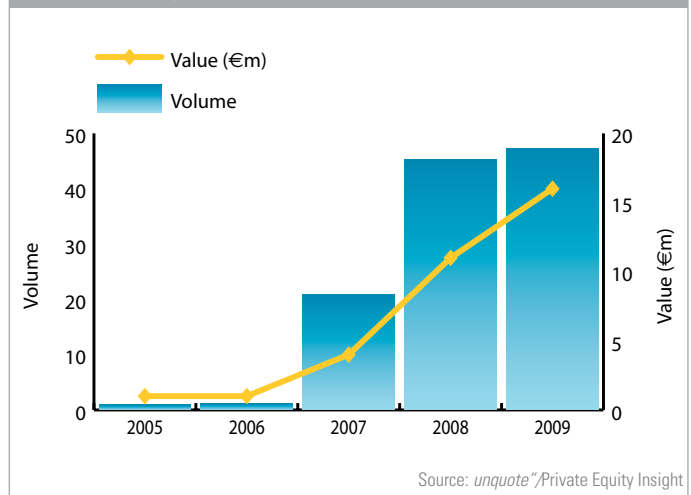
Jens Thomassen says a selection of strong universities in the region provide the perfect opportunity for venture capital funds to invest in technology spin-outs. "The Nordic region has a very strong academic basis, with universities like the KTH Royal Institute of Technology in Stockholm, which have large research foundations attached to them."

As previously mentioned, ChapDrive was spun-out from the Norwegian University of Science and Technology. Additionally, Xylophane AB, a Swedish renewable packaging company spun-out from Gothenburg's Chalmers University, received €3.3m of funding from Capricorn Venture Partners and SEB Venture Capital in January 2009. Xylophane had already received backing from KTH Chalmers Capital, a joint venture between the KTH Royal Institute of Technology, Chalmers University and institutional investors. With universities themselves getting involved in early-stage investing, it's easy to see why the Nordic region is proving so successful in attracting venture funding. Such initiatives can bring business and academic excellence together to commercialise new ideas.

Not only does the region have a selection of top universities to provide innovative ideas, but it also has a significant skills base acquired from its substantial manufacturing and oil & gas industries. As the world moves towards using more sustainable means of energy production, many of the transferable skills needed to build and maintain new infrastructure already exist in the region, allowing companies to tap into local talent without the need for expensive training programmes.

Older industries, including fossil fuel production, also present opportunities to develop systems to make these operations

Nordic early-stage and expansion deals, 2005-2009



cleaner. In order to meet global agreements on carbon emissions, existing industries and the use of fossil fuels will need to be made considerably more efficient, as it will be some time before renewable energy is ready to fill the gap. Again, venture capital has the opportunity to fund innovative ideas, which could potentially have huge commercial potential in the coming years.

One such company is Energreen, which received NOK 45m in venture funding from Energy Ventures IS in September 2008. The company has developed a turbine system called RotaChoke, which can generate emission-free energy from pressure drops in process systems for both onshore and offshore installations. The process has particular environmental benefits for offshore installations, where electricity is currently generated through burning fossil fuels.

The European venture capital industry has often failed to keep pace with its US counterpart, where there is a long-established tradition of early-stage investing, bolstered by a far larger and more coherent home market. However, European venture investing does have its place and its importance in both developmental and financial terms could match that seen across the Atlantic, particularly if it plays to its strengths. While Europe is unlikely to unseat the dominance of Silicon Valley as a global software and IT hub, it could specialise in other growth areas. Europe has a comparatively strong environmental movement, and the Nordic region in particular is capitalising on its expertise in this field. The Nordics are well placed to become a global hub for green venture capital. ■



Pertti Nurmio
Managing partner
Armada Mezzanine

Q&A

Q With activity picking up following a dearth of deals over the past 18 months, how has appetite for mezzanine in the Nordic market changed?

We are definitely seeing increased appetite for mezzanine, following the uptick in buyout activity, a recovered banking market and improved economic climate. In fact, we have record dealflow, even recording interest from sponsors not previously familiar with mezzanine. At the moment, mezzanine is particularly suited to fill the gap in high multiple deals. Low multiple and smaller transactions are more challenging, as banks request a minimum of 40% equity, which means there may not be room for mezzanine. Additionally, sponsors have a lot of dry powder, and some may prefer “excessive” equity funding.

Q As a mezzanine player, has your relationship with senior lenders changed?

Credit markets are gradually normalising, with Nordic banks returning to the market space. High profile transactions, such as Ambea and Apoteket, have contributed to a positive market sentiment. We are currently in talks with a broader banking base than a year ago, including many international banks. Most of the senior lenders appreciate the use of mezzanine as it may improve their overall competitiveness if their own debt multiples remain on the lower side. On the other hand, since the equity requirement from the banks remains relatively high, there is an increased tendency to push for all-senior financing. Banks are watching the capital structures very carefully and an early dialogue is critical.

Q Many predict private equity returns to be lower in the future. What’s your prediction for mezzanine?

Private equity is a cyclical industry with “ups and downs”. For mezzanine, the challenge is to adequately price in risk, while at the same time stay competitive. The equity/warrant component in the structure enables us to design pricing structures that are sufficiently flexible. I do not expect the mezzanine pricing to change too much in the long run.

Q Do you expect the mezzanine product to change in the future to adapt to a new deal environment?

We already have roughly two breeds of mezzanine: “traditional” providers, primarily investing in buyout with relatively small equity components in the structure; and “expansion capital” or “intermediary capital”, which often includes significant equity stakes in the target companies alongside the mezzanine financing. The latter tend to focus on “sponsorless” transactions, and may reap the benefits when there is a lack of auctions. We feel that it is important that the mezzanine funds retain their flexibility in their product offering to meet the versatile needs of the markets. Therefore it may be that the market is moving towards the “intermediate capital” type of mezzanine. That said, I also expect continuing demand for more traditional mezzanine as it suits some LPs better.



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ARMADA
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For more information, please contact:

Helsinki

Pertti Nurmio

Tel: +358 50 550 2324

Ilkka Santti

Tel: +358 40 700 2876

Stockholm

Jan Wiklund

Tel: +46 70 551 4054

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Four heads, four questions

WITH RIKKE ECKHOFF

1 There has been talk of LPs favouring smaller regional funds over the next few years. What's your view on this?

Dan Kjerulf
Legal counsel
 Danske Bank
 Private Equity



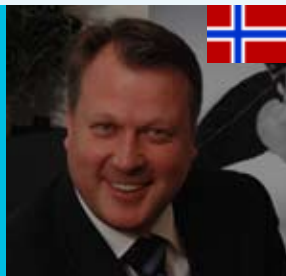
Our strategy has certainly developed in this direction. Managers firmly embedded in a local scene get to see the best deals first. They have a clearer perspective on when to say no, and a local network to support the companies they buy.

Samuli Sipilä
Managing director
 Pohjola Private
 Equity Funds



We are not surprised that many LPs are re-focusing their strategies towards the original idea of private equity value-adding investing, so called "back to basics". We've been investing in the lower mid-market since 1996, and consider it a relatively stable market with less cyclical returns and little fear of an overcommitted market. LPs will of course find this attractive, however many will realise it is a difficult market, requiring extensive resources to create a sustainable investment operation.

Joachim Høegh-Krohn
CEO
 Argentum



The idea that focused and well-placed funds may have an advantage is not new, and has some merit. Size also matters, and we share the view that smaller funds, everything else equal, tend to be more efficient and focused. But, again, the real value drivers are not size and limited geographic scope *per se*, but focus, network and incentives, which tend to be strengthened when you have limited resources and are well integrated in a regional market.

Alexandra Nilsson
*Head of AP Fund
 Investments*
 Sixth Swedish
 National Pension
 Fund



First of all, the investment mandate of AP6 has always implied a focus on the Nordic region and a substantial portion of our investments are put into the lower end of the market. We have recently seen an increasing interest among the LP community for regional buyout funds focusing on the small- or mid-cap segments. We believe that fund managers with local presence in the country where investments are made have a clear advantage both in terms of accessing good dealflow as well as being active owners of portfolio companies. One drawback of increased allocation to a segment is however that it will increase the competition, which ultimately could have a negative impact on returns.

2 Succession issues in buyout funds are by many highlighted as one of the key challenges for fund managers. What is your experience with this issue, and what advice would you give to your GPs?

Succession expectations are a key factor in the group dynamics of a management team, and for the small, people-oriented boutiques that are fund managers, group dynamics are the most important internal risk factor. So a management team must have a succession policy in place. It needs to be bought into both by those that are to succeed and those that are to go on working with them. All of these parties must be candid about the plan to LPs. Going into a fundraising with unsolved succession issues or significant cultural changes yet to be implemented will scare away potential LPs.

Succession should be an ongoing process, tailored into management companies' strategies, structures, operations, and to overall compensation systems. Although track record and historical investment data is very important, one should not forget private equity is a long-term asset class, and fund managers are investing for the future. Ownerships and shares in the carry have to be consistently balanced between experienced "grey hair partners" and "flourishing young professionals".

As the Nordic market matures further still, this will be an issue of increased importance. Several GPs, maybe even most of them, have one or two driving personalities behind their success and it is crucial, but not always possible, to institutionalise the knowledge, network and methods behind the success.

The key resource of a GP is its investment professionals. Combine this with the fact private equity investing is a long-term business where the funds have a lifespan of 10 years or more, and it is evident that succession planning is core. First of all we believe succession planning should be addressed early to ensure there is sufficient time to build a team with appropriate experience and competencies. The most important talent base in the succession planning is investment professionals within the fund manager, but GPs should also be open to external recruitments of senior professionals. It is also important to be transparent with LPs in order to give them a good understanding of the overall organisation and how the succession planning is dealt with.

3 The general consensus in the market is that overall private equity returns will be lower over the next 10 years. If this holds true, will private equity remain an attractive asset class?

The principal driver of return in buyout investment is the ability to transform an underperforming business through a level of active ownership that cannot be applied in the same degree in the public equity markets. With careful, disciplined manager selection, buyout will maintain an advantage over public equity. The venture capital market faces much more existential challenges. For both, an added level of risk is heavy-handed regulation.

Private equity returns will obviously follow the general economic development, but to justify its existence, private equity must continue to secure superior returns compared to the listed market. Over the coming years, niche strategies and capabilities will be tested. But the basic private equity model, where fund managers actively work with investee companies on strategic, operational and managerial levels – and deliver consistent increase in value – will succeed.

Returns have always had their natural causes, and any excess returns in the case of private equity stem from a unique ability to select, develop and exit investments. As teams become more experienced and the competition increases, I expect the margins that top quartile teams are able to extract to be lower. Since investors care about net returns, this will put pressure on cost efficiency in managing funds. We believe, however, that the best private equity managers still will be able to deliver excess returns compared to the stock market at large, albeit perhaps on a smaller scale.

The buyout sector has successfully delivered high long-term returns over the past 10-15 years. As a result of increased competition within the asset class, as well as the fact substantial amounts were invested in portfolio companies at very high multiples, we do agree that private equity returns will be negatively impacted if you look at the industry as a whole. In order to attract capital going forward, GPs must show their ability to both manage portfolio companies and do deals in difficult circumstances, as well as complete successful exits. From an LP perspective the key success driver is to be selective and invest with GPs that, with the private equity toolbox, can drive growth and value creation in portfolio companies in a more competitive environment.

4 In a recent *Nordic unquote* and SVCA survey, 86% of buyout respondents thought fees would come down over the next decade. What's your view on the fee debate?

In venture and in small-/mid-cap buyout, there is only limited scope for reducing fees. Some tidying up needs to be done on side fees, but basic management fees cannot be reduced much. In the large-cap market, there is much more potential for substantially cutting fixed fees.

Fee levels are an easy topic to discuss, which is part of the reason it's on the agenda, and appropriate and sustainable fee levels are of course important to protect investors' net returns. Equally important, however, is that investors are aware of the many legal and commercial aspects of private equity investing. LPs' investment decisions should be based on the overall risk–return evaluation. Yet still surprisingly few LPs are willing to confront GPs on these difficult issues during the due diligence process.

With reference to the pressure on returns, I believe that total cost in managing funds will have to come down if private equity is going to stay attractive. The question is rather – how much and how fast?

One of the key principles of the private equity fund model is the alignment of interest between the GP and its LPs, where the common goal is to maximise returns on the underlying investments. Today, some fund terms can best be described as "misalignment" where fund managers can make large profits from charging fees without having created returns for its investors. We firmly believe that this must change in order for the asset class to remain attractive. With lower return expectations from the underlying investments, the industry must become more cost-efficient in order to deliver returns to LPs that will be attractive enough for them to continue investing in the asset class.

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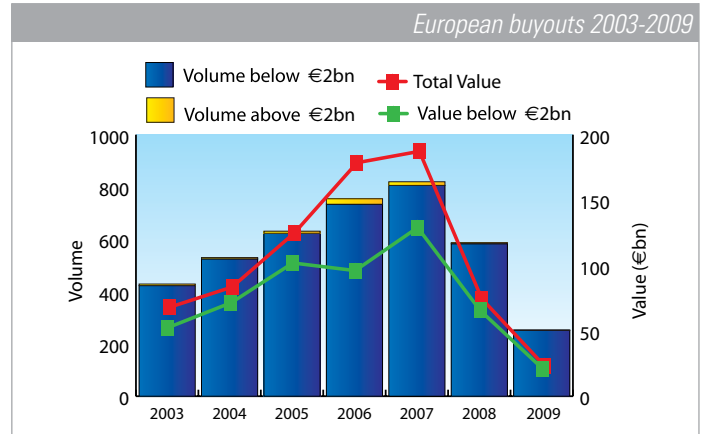
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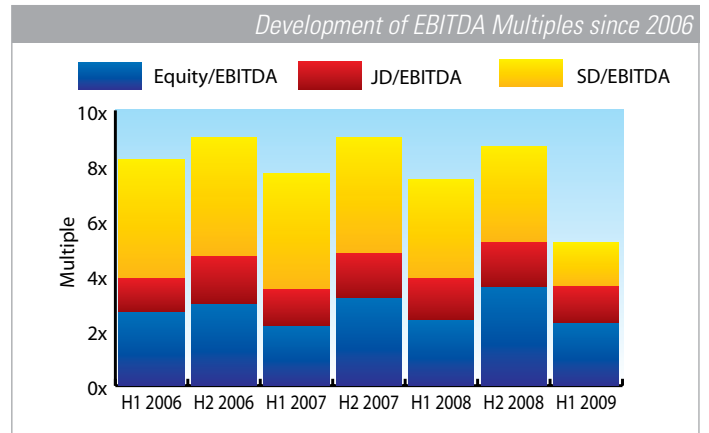
Statistical commentary

BY EMANUEL EFTIMIU

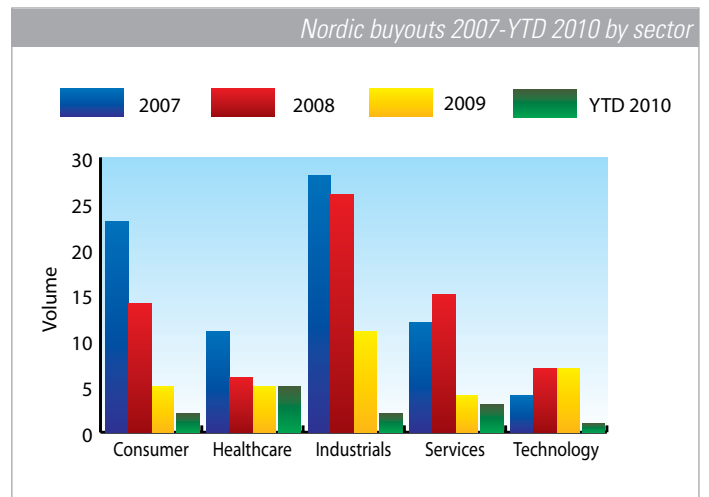
The bubble caused by the abundant availability of leverage during the 2005 to 2007 period becomes evident when the value of European buyouts, excluding €2bn+ transactions, is plotted against overall buyout value. In 2006 and 2007, 3% and 2% of total recorded transactions respectively accounted for a staggering 46% and 31% of total deal value. The market exuberance reversed through 2008, with total volume dropping by 28% and value by 60%. Consequently, *unquote* recorded only four buyouts above €2bn, representing just 12% of the total deal value in 2008. In 2009, buyout volume and value contracted to the lowest levels seen in more than a decade.



High liquidity in the debt markets had led to rising entry multiples being paid by private equity firms throughout the middle of the decade. While overall average valuation multiples hovered around the 8x EBITDA level before dropping more significantly in 2009, it is the share of total debt supplied to transactions that reveals the changing market environment. Not surprisingly, leverage multiples have contracted since the onset of the credit crunch, with the lack of financing leading to a proportional increase of equity tickets. As such the average equity ratio in buyouts has risen from just less than 30% to almost 50% in 2009.

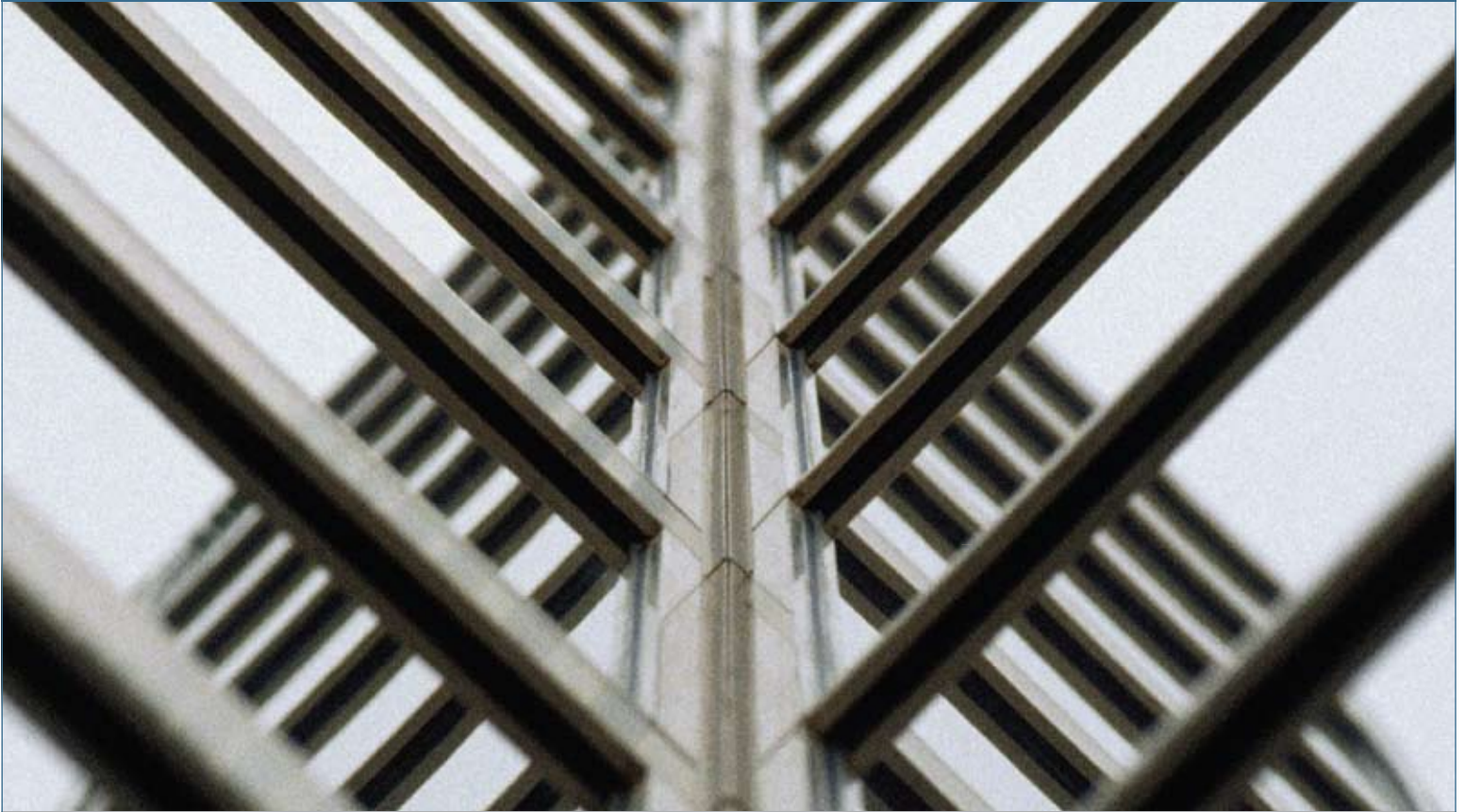


Historically, the industrial sector has seen the lion's share of dealflow in the Nordic region. This was further amplified by the buoyant buyout market throughout the middle of the decade. Not surprisingly, activity levels dropped throughout all sectors following the credit crunch. In 2009, the limited dealflow was spread evenly among the sectors, as deal activity in groupings such as healthcare and technology remained robust – albeit at a very low level. So far this year, the region has recorded several healthcare deals as investors are searching out opportunities in defensive sectors in the light of continuing macro economic uncertainty.



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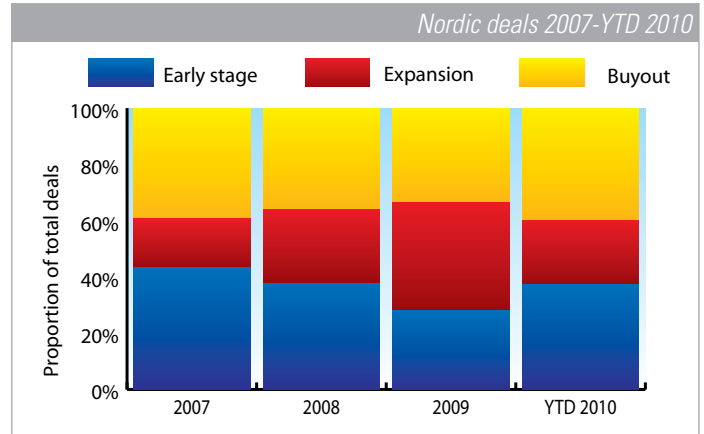
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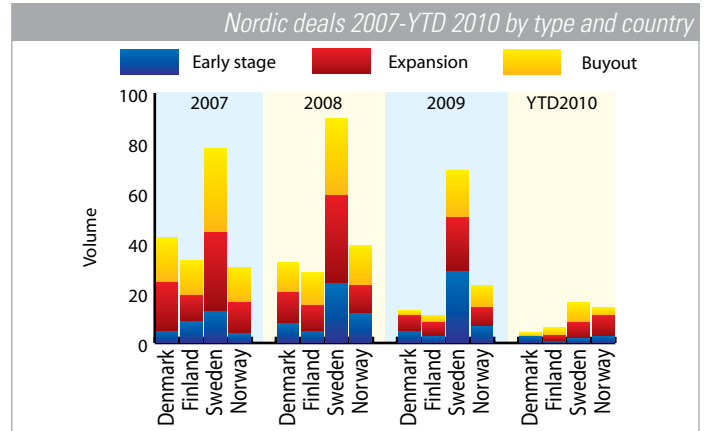
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There is a noticeable shift in 2009 when looking at the distribution of private equity deals done in the region among early-stage, expansion and buyouts. While buyouts made up almost half of all transactions recorded during the boom period, the expansion category, which includes acquisition finance transactions, clearly dominated the dealflow in 2009. As primary buyout activity was scarce due to limited debt availability and the pricing mismatch between buyers and sellers, private equity houses focused on nurturing their existing portfolio companies, making add-on acquisitions where possible.



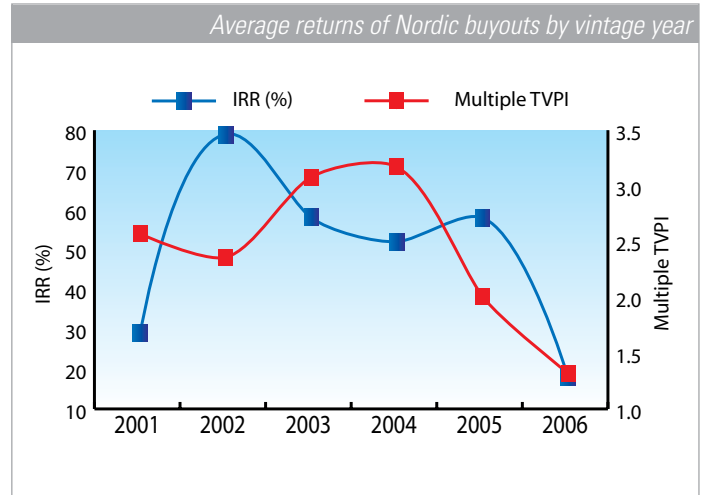
Source: unquote™/Private Equity Insight

Noticeably, overall Swedish deal activity in 2009 did not fall as dramatically as that of its fellow Nordic regions. The 70 transactions recorded in Sweden represent a modest drop of 20% to the 2008 total, while activity in Norway, Finland and Denmark recorded a more substantial year-on-year drop by more than 40%. Out of the four countries, Denmark has seen a continuing decline in activity over the past years. The relative fortunes of the three less prominent private equity markets in the region have ebbed and flowed in the past, with Norway emerging as the more active recently.



Source: unquote™/Private Equity Insight

Average returns on Nordic buyouts are certainly remarkable for vintages following the market crash around the millennium. Indeed, returns for 2003 and 2004 vintages topped on average the 3x money multiple with IRR levels hovering around the 55% mark. While the multiple dropped to around 2x for the 2005 vintage the relatively higher IRR figure for that vintage suggests shorter holding periods of portfolio companies as many private equity houses looked to capitalise on the existing sellers market throughout 2006 and 2007. Return figures for the 2006 vintage are clearly impacted by the downturn and the limited amount of realised investments so far for this vintage.



Source: unquote™/Private Equity Insight

Note: YTD refers to a snapshot of the data as at the end of April 2010.

CONTACT DETAILS

Kungsträdgårdsgatan 8
SE-106 40 Stockholm
Sweden
Tel: +46 8 763 9613
Fax: +46 8 763 9588

Bernstorffsgade 50
1577 Copenhagen V
Denmark
Tel: +45 3 336 8520
Fax: +45 3 311 2599

Unioninkatu 30
FI-00101 Helsinki
Finland
Tel: +358 9 616 28130
Fax: +358 9 616 28070

Ulmenstrasse 30
D-60283 Frankfurt am Main
Germany
Tel: +49 69 258 5434
Fax: +49 69 258 5454

2 Cannon Street
London EC4M 6XX
UK
Tel: +44 20 7246 4367
Fax: +44 20 7236 5144

KEY STAFF

Simon Wakefield
Simon Wheatley
Alexandre Godard
Marko Rintala
Mårten Sennerup
Caroline Lohse



KEY FACTS

The Acquisition Finance unit of SEB is a leading arranger of senior debt and mezzanine for leveraged acquisitions in Northern Europe. With team members located in Stockholm, Copenhagen, Helsinki, Frankfurt and London, SEB has been active outside the Nordic region, having led transactions in Germany and the UK, and sub-underwritten or participated in transactions in France and the Benelux countries. Over the past 13 years, SEB has participated in more than 250 transactions, underwriting debt totalling over €12bn. SEB has invested over €600m of mezzanine in 45 companies.

SEB has been involved in a broad range of transactions including take-private public offers and a series of buy-and-build strategies.

STRUCTURE

Investment focus:
Buyouts/Expansion

Regional focus:
Northern Europe

Investment Amount:
Senior debt – minimum €30m
Mezzanine – minimum €5m

EXAMPLES OF TRANSACTIONS

Mezzanine
Lindorff
Gas Control Equipment
A Katsastus

Take-private
Intrum Justitia
Oriflame
NEA

Buy-and-build
Carpark
Lekolar

Large
Alfa Laval
Nycomed
Mölnlycke Health Care

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League tables

Top 30 most active private equity houses in the Nordic regions by volume

Buyouts

	2007	2008	2009	YTD 2010	Total
CapMan Group	8	5	2	1	16
Herkules Capital	5	2	2	2	11
Altor Equity Partners	4	3	3	0	10
FSN Capital	3	2	3	1	9
Polaris Private Equity	5	2	2	0	9
Litorina Kapital	5	3	1	0	9
Sentica Partners	1	4	2	0	7
Accent Equity Partners	4	2	1	0	7
EQT Partners	4	3	0	0	7
Norvestor Equity	2	3	0	1	6
Nordic Capital	2	3	1	0	6
Segulah	3	2	1	0	6
Valedo Partners	2	3	1	0	6
Procuritas	1	1	1	2	5
HitecVision	1	1	3	0	5
Axcel	2	2	1	0	5
AAC Capital Partners	1	1	1	1	4
Priveq Partners	1	2	1	0	4
Ratos Holding	4	0	0	0	4
3i	3	1	0	0	4
Eqvitec Partners	1	3	0	0	4
Triton Partners	0	1	1	1	3
Bridgepoint Capital Limited	1	0	1	1	3
Reiten & Co Capital Partners	0	2	1	0	3
Via Venture Partners	1	1	1	0	3
Borea Opportunity	0	3	0	0	3
HgCapital	1	0	0	1	2
Volati	0	1	0	1	2
Investor Growth Capital	0	0	2	0	2
Lonmodtagernes Dyrtidsfonds (LD)	1	1	0	0	2

Source: unquote®/Private Equity Insight

Venture

	2007	2008	2009	YTD 2010	Total
Swedish Industrial Development Fund	19	7	6	0	32
Northzone Ventures	9	9	5	3	26
InnovationsKapital Management	6	5	6	0	17
Stockholm Innovation	4	9	4	0	17
Chalmers Innovation	0	0	13	1	14
Finnish Industry Investments	7	2	4	1	14
Creandum	3	5	4	1	13
Via Venture Partners	8	2	2	1	13
Vækstfonden	4	6	3	0	13
CapMan Group	4	3	3	2	12
Verdane Capital Partners	4	8	0	0	12
Eqvitec Partners	4	5	1	1	11
Investinor	0	0	4	6	10
Viking Venture	0	2	3	4	9
Teknoinvest	4	1	4	0	9
Sunstone Capital	1	4	1	2	8
Proventure	2	2	1	2	7
Innovationsbron	1	1	5	0	7
Scandinavian Life Science Venture	2	2	3	0	7
Amadeus Capital Partners	3	2	2	0	7
Nordic Venture Partners	3	3	1	0	7
HealthCap Private Equity	3	0	3	0	6
Ratos Holding	0	3	3	0	6
Conor Venture Partners	2	2	2	0	6
Inventure Capital	2	1	0	2	5
Nexit Ventures	0	2	2	1	5
Statoil ASA (StatoilHydro Venture)	1	2	1	1	5
Ferd Venture	3	0	2	0	5
Index Ventures	2	1	2	0	5
Investor Growth Capital	2	2	1	0	5

Source: unquote®/Private Equity Insight

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We advise private equity and venture capital houses in buy-out and venture transactions. We also offer advice in all related matters, such as fund formation, LP advice, acquisition finance, management incentives and advice to portfolio companies.

1 2 3 4

League tables

The most active advisory firms in the Nordic regions by volume

Legal

	2007	2008	2009	YTD 2010	Total
Vinge	16	24	11	2	53
Delphi	4	11	5	4	24
Mannheimer Swartling	8	10	2	2	22
Hannes Snellman	6	6	3	2	17
Kromann Reumert	9	4	3	1	17
Wiersholm Mellbye & Bech	6	4	4	2	16
Schjodt	4	8	2	2	16
Roschier	8	6	2	0	16
White & Case	3	4	5	2	14
Lindahl	2	6	3	1	12
Cederquist	4	2	3	2	11
Castrén & Snellman	4	4	2	1	11
ACCURA	5	5	0	0	10
Bruun & Hjejle	4	2	2	1	9
Borenus & Kempainen	6	2	0	1	9
Andulf Advokat	2	6	1	0	9
Linklaters	4	2	1	1	8
Gorrissen Federspiel Kierkegaard	3	4	0	1	8
Thommessen	1	7	0	0	8
Torngren Magnell	0	2	3	2	7
Selmer	2	1	2	2	7
Baker & McKenzie	4	1	1	1	7
BA-HR	2	4	0	1	7
Gernandt & Danielsson	2	4	1	0	7
Setterwalls	1	3	1	1	6
Clifford Chance	5	0	1	0	6
Bech-Bruun	3	2	1	0	6
Steenstrup Storange	0	0	0	5	5
Krogerus	1	2	1	1	5
Fondia	2	2	1	0	5

Source: unquote®/Private Equity Insight

Corporate finance

	2007	2008	2009	YTD 2010	Total
SEB Enskilda	2	2	5	1	10
Carnegie Bank	2	1	1	3	7
PricewaterhouseCoopers	3	4	0	0	7
E&Y Transaction Advisory Services	3	4	0	0	7
ABG Sundal Collier	0	2	3	1	6
Keystone Advisers	2	1	2	0	5
First Securities	0	1	1	1	3
UBS	1	1	0	1	3
Access Partners	1	1	0	1	3
GP Bullhound	1	1	0	1	3
Arctic Securities	0	0	3	0	3
KPMG's Private Equity Group	1	1	1	0	3
Enskilda	0	2	1	0	3
Pareto Private Equity	0	2	1	0	3
Castlegreen Partners	1	2	0	0	3
Evli	2	1	0	0	3
Nordea Group	1	2	0	0	3
Pareto Securities	0	3	0	0	3
Rothschild	1	2	0	0	3
Morgan Stanley	0	0	1	1	2

Source: unquote®/Private Equity Insight

Financial due diligence

	2007	2008	2009	YTD 2010	Total
PricewaterhouseCoopers	27	21	11	4	63
KPMG's Private Equity Group	20	17	13	5	55
E&Y Transaction Advisory Services	13	22	7	10	52
Deloitte	13	15	4	2	34
Grant Thornton	1	8	5	2	16

Source: unquote®/Private Equity Insight

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Dan Kjerulf
Legal counsel
Danske Private Equity



Joachim Høegh-Krohn
CEO
Argentum



Samuli Sipilä
Managing director
Pohjola Private Equity
Funds



Alexandra Nilsson
Head of AP Fund
Investments
Sixth Swedish National
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Simon Wakefield
Global head of acquisition
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Jens Thomassen
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For further information please visit seb.se/mb or contact:

Simon Wakefield	London	+44 20 7246 4367
Mårten Sennerup	Stockholm	+46 8 763 9613
Alexandre Godard	Frankfurt	+49 69 258 5434
Marko Rintala	Helsinki	+358 9 61 628 130
Caroline Lohse	Copenhagen	+45 33 36 85 20

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