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Q&A

Industry analysis from Adveq, AP6, Argentum and SEB

Data commentary

Statistics from *unquote” data* show the eurozone crisis is finally taking its toll on the Nordic region

Mind the gap

A chasm is emerging in the Swedish venture space, keenly felt by the country’s entrepreneurs

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NORDIC REPORT

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Analysis

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Statistical commentary

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Keeping up with the Jönssons

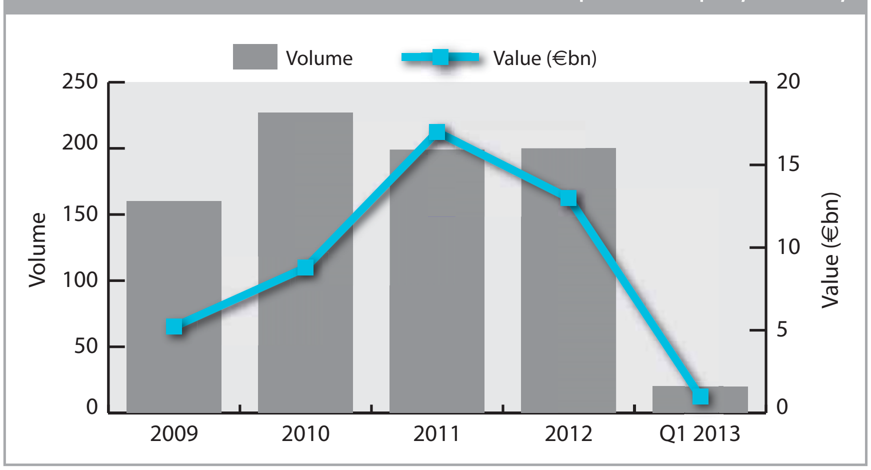
The erstwhile resilient Nordic economies are finally feeling the brunt of their neighbours' misfortunes, as the eurozone crisis drags their PE activity into the doldrums. John Bakie reports

THE NORDIC private equity market seems to be finally feeling the impact of the eurozone crisis after showing remarkable resilience to the prevailing macroeconomic conditions that have been dampening activity levels for five years.

While the region cannot fully escape the economic realities of its environment, it can and has continued to see net inflows of capital and presents itself as one of the most attractive investment markets in Europe.

Looking back at 2012, the market has been relatively flat, particularly compared to the UK, which has seen a steady recovery in deal volume and value across all market segments. While the Nordic countries perhaps saw less impact from the financial crisis than other parts of Europe, and were quick to recover in 2010, there has been little growth since and the market has remained somewhat stagnant.

Nordic private equity activity



Source: *unquote" data*

In 2012, there were 80 private equity-backed buyouts with an aggregate value of more than €11bn – still an impressive number for such a small region, but it does seem as though further recovery in Scandinavia is being held back by the troubles to the south. The region is clearly not immune to the eurozone's problems. Though Finland is the only country in the region that uses the euro currency, Denmark's currency is pegged to it, and both Sweden and Norway conduct the bulk of their trade with countries in the eurozone area, so the impact is palpable.

The effects are particularly telling when looking at Q1 2013. Buyout numbers have dived, reaching just seven for the three months to the end of March, with a combined value of only €886m. The venture and growth capital space is no better, with 10 deals in Q3 valued at €72m – compared with 118 in 2012 as a whole.

If the current trend continues, then there is a real risk that the Nordic countries could see substantially less deal activity in 2013 compared to the years from 2010-2012. It is not, however, the only part of Europe facing a tough first quarter. The UK has seen its private equity deal volume and value sharply fall in the first quarter of 2013, registering one of the weakest quarters since 2009.

Germany too has seen slow movement in the first three months of the year and, while French activity levels have somewhat recovered from a dire 2012, they are still low by historic standards.

Cause of concern

So what is holding back the Nordic market? Has it become oversaturated with private equity investment, or are international pressures disrupting business?

There are two main issues affecting activity levels. Firstly, the economic and political situation in the Nordic countries is likely to be hampering investment. All four countries have seen their GDP growth reach low levels during 2012 (Sweden saw just 0.3% growth in Q4 2012), after initially recovering well from the financial crash in 2010. With major trading partners in the eurozone hit by a combination of low confidence and significant government deficits, it was perhaps inevitable that Nordic industry would begin to feel the pinch and exports would suffer.

In addition to the economic trials of Europe, regulation emanating from the EU is also likely to be having some impact. With the AIFMD complicating the process of fundraising for GPs while Solvency II and Basel III lead LPs to cut back their private equity commitments, regulation is bound to be affecting confidence among GPs.

There is also an internal regulatory threat to contend with, particularly in Sweden. The row over tax paid on carried interest continues to rage, with the latest judgement declaring that Nordic Capital executives should pay income tax on their carried interest. The ramifications for the industry are huge and many GPs could face hefty bills on the carry they have received over the years.

Nordic Capital is currently appealing the latest verdict in the case. This ongoing tax uncertainty for private equity funds is distracting at best, and potentially confidence-sapping at a time when investment is needed.

External forces, however, can only have so much influence and it is important to remember that the private equity model itself is highly cyclical. With many current funds having been raised immediately before the financial crisis, they are now reaching the end of their investment periods and beginning to wind down, meaning GPs are now looking to their next vehicle, rather than focusing on making new investments.

A taxing situation

THE ARGUMENT over taxation of carried interest in Sweden has been one of the biggest debates over private equity in the region's history.

- Nov 2010: Sketterver, the Swedish tax authority, announced it has launched a tax investigation into eight private equity firms.
- Dec 2010: Nordic Capital wins case against Sketterver, which demanded tax on carry from 2006/2007.
- Jan 2012: IK faces demands for retrospective tax on carried interest worth around SEK 1.8bn
- Dec 2012: Swedish Parliament debates limiting private equity investments in certain sectors, including healthcare, elderly care and other welfare businesses. It also discusses the possibility of removing tax advantages.
- Mar 2012: Policy note suggests hybrid tax model for carried interest, with first SEK 5m taxed at 57%, with a 30% rate thereafter.
- Apr 2012: Ministry of Finance moves to drop proposals to tax carried interest as income over fears of the impact it will have on investment.
- May 2012: Nordic Capital case is revived, with tax authority demanding executives to repay SEK 412m in tax. Norway also launches its own investigation into carried interest payments.
- Dec 2012: Nordic Capital executives lose their tax case and are set to receive a SEK 412m tax bill. Nordic Capital says it plans to appeal the latest verdict.

Money cache

Taking a look at fundraising data, it certainly seems as though 2013 could be a big year for the Nordic region. In the first quarter this year, four funds worth almost €4bn have been raised, already beating 2012's total value by more than €2.4bn and coming close to that period's six funds. The highest recent fundraising total for the region was €8.1bn in 2011, which saw 13 funds raised, though the value figure was significantly boosted by EQT's sixth fund, which closed on an impressive €4.25bn in October of that year. In terms of sheer numbers, 2010 tops the list with 15 funds raised, though if current momentum continues this could be beaten by year-end.

The distraction of raising a new fund will certainly be impacting investment activity and the fact that existing vehicles are now moving into their divestment phase will also be influential. Early indications suggest the pace of exits has picked up substantially across Europe, but the Nordic exit scene is faring less well.

The slow pace of 2013 so far isn't very encouraging for Nordic private equity and while it has fared well these past few years it must always be remembered that the region is relatively small and can only offer a limited number of opportunities.

Nonetheless, further successful rounds of fundraising, alongside the coming deployment of mega-funds raised by EQT and Nordic Capital means the market can certainly pick up the pace moving into the summer. ■

When it comes to venture capital, opportunities abound in Sweden. Yet, despite the success stories, a critical funding gap threatens the future of the industry. Amy King reports

Nothing ventured, nothing gained

FOR THE last five years, Sweden has been the third largest market in Europe for venture capital-backed exits, trailing only France and the UK, according to *unquote" data*. The nation has consistently ranked among the top five most active markets in Europe for venture investment, taking fourth place in 2012.

Skype, co-founded by a Swede and an Estonian, was first backed in 2004 with a €1.9m capital injection from Draper Investment Company. Seven years and several venture rounds later, Silver Lake Partners, Joltid Ltd, Andreessen Horowitz and the Canada Pension Plan Investment Board sold the firm to Microsoft for $8.5bn.

The market's credentials are clear and its dealflow understood by the rising number of international investors opening offices in Stockholm or expanding their remit to include it. But it could be running on borrowed time.

"There is a real gap in funds investing €500,000-1.5m," says Martin Gemvik, investment manager at early-stage investor Sting Capital. "We used to have the Sixth Swedish Pension Fund (AP6)," he reminisces, "which acted as a fund-of-funds investor. It meant that there were national LPs that could contribute maybe 20, 30, or 40% of these funds," he adds. AP6's CEO Karl Swartling told *unquote"* that changes to the fund's allocations and strategy were inspired by the pursuit of higher returns (*see page 7*).

"For various reasons the management did not deliver the expected returns, and so the government decided to stop all investment activities. This has created a substantial lack of resources for early-stage fund-of-funds capital in Sweden, which today is a well-known problem among entrepreneurs," he explains. Dealflow and drive there may be, but how to fill the tanks of those early-stage funds hoping to jumpstart new businesses?

"If you go back to the year 2000, there was ample supply – even too much supply – of capital for VCs," explains Gabriel Urwitz, chairman of the Swedish Venture Capital Association (SVCA) and founder of buyout firm Segulah. "Back then we had 100-200 VC firms, now we have only a handful. There is always discussion of whether or not there is enough money for seed capital. In a country like Sweden,

"Entrepreneurship is not something that can be defined by government. [Its role] is making sure you create an environment where it is easy to start a company and share incentives"

Daniel Blomquist, Creandum

"If you go back to the year 2000, there was ample supply – even too much supply – of capital for VCs. Back then we had 100-200 VC firms, now we have only a handful"

Gabriel Urwitz, SVCA

the government is active with a fair amount of money," he explains. "But the question is, is it active in a meaningful way? I think Sweden still has some lessons to learn here."

For the nation, this shortage could be bad news as it lies at a crucial stage for the host country; the early stages of a business often decide whether an entrepreneur commercialises an idea at home or abroad. Recent news that the crowd-funding platform Crowdcube has launched in Sweden may provide some short-term relief for hard-pressed entrepreneurs. But, while entrepreneurial innovation is firmly ingrained in Swedish culture – the nation was one of the first to adopt broadband on a national scale, while the government ensured all Swedes had access to PCs in the 1990s – some have wondered how long Sweden will be able to foster its homegrown talents if the drought in seed capital remains.

The invisible hand

Although it appears a problem of national importance, most agree that the state should not make direct private equity investments, though contributions to commercially-driven funds are welcomed. Perhaps the Israeli government's Yozma programme could provide a textbook example, widely accredited as the foundations upon which the thriving VC scene – dubbed Silicon Wadi – is built.

"Entrepreneurship is not something that can be defined by government," says Daniel Blomquist, principal at VC investor Creandum. "It is more about making sure you create an environment where it is easy to start a company and share incentives. With favourable tax regulation," he adds.

On the one hand, the strength of Swedish welfare provisions in the area of childcare for example leaves those entrepreneurs with children free to wholly dedicate their time to their start-up. What's more, Swedes may be more willing to take a risk knowing that the weave of their state-provided support net is so strong that failure will not make or break you. But it is not entirely plain sailing.

Take the example of including options in employees' remuneration packages, often standard practice for cash-strapped start-ups. While a start-up founder may log earnings as capital gains, employees with a holding in the start-up are taxed more heavily than those who invest in the stock market. Skype famously moved its base to Luxembourg to solve this issue.

What's more, if an entrepreneur falls ill and requires state sick-pay contributions, the entrepreneur is required to sell their shares in the start-up if they want to ensure contributions beyond a limited period. "And it is the same with the unions; if you claim support from your union you have to sell your shares," Gemvik says. "How entrepreneur-friendly is that?"

But the tide could be set to change. "One of the big parties in opposition recently suggested a change to the law regarding the taxation of personal or employee options. After 20 years of trying to convince politicians, it seems they are finally understanding what they need to do," Gemvik says.

Björn again

Yet entrepreneurialism is on the rise, fuelled by the so-called Björn Borg effect – whereby headline-hitting success inspires the next generation, according to Gemvik – and encouraged by the flipped perception of job security at large corporates following mass lay-offs at Ericsson. This zeitgeist could sustain the industry. "[The number of] people setting up a presence locally is likely to increase given the number of opportunities that exist," predicts Carl Bergholtz, vice president at international technology investment banking group GP Bullhound. "On the early-stage side of the spectrum, where capital is increasingly scarce, I think the entrepreneurs that have started businesses and sold them will return to the market and be increasingly active as super angel investors, helping to fill the funding gap to a certain extent." And they may even take it one step further and found a VC firm; Skype co-founder Niklas Zennström now manages investments at Atomico. The Björn Borg effect could spread to the investment management space too.

The industry also appears to have woken up to threats to its future. "Those who used to invest in early-stage before shifting up the chain are now coming back," says Gemvik. "And not only in the pursuit of returns. They see that they need to contribute to the ecosystem and help to source new companies, so that later on they will be able to invest in promising and exciting later-stage businesses," he adds.

A different story

But for those investing in the slightly later stages of venture capital, the current state of the market spells opportunity. "As VCs nowadays, we are in the big winners," explains Blomquist. "Unlike previous decades, we have the funds to follow the winners through. The ecosystem is more mature, and there are fewer VCs. Yes, there is less capital deployed, but that means there is more of a chance to make better returns now," he says. And as the first institutional backers of Spotify, hopes are high for Creandum's exit metrics. The firm certainly does not seem to be suffering from a shortage of LPs (*see box*).

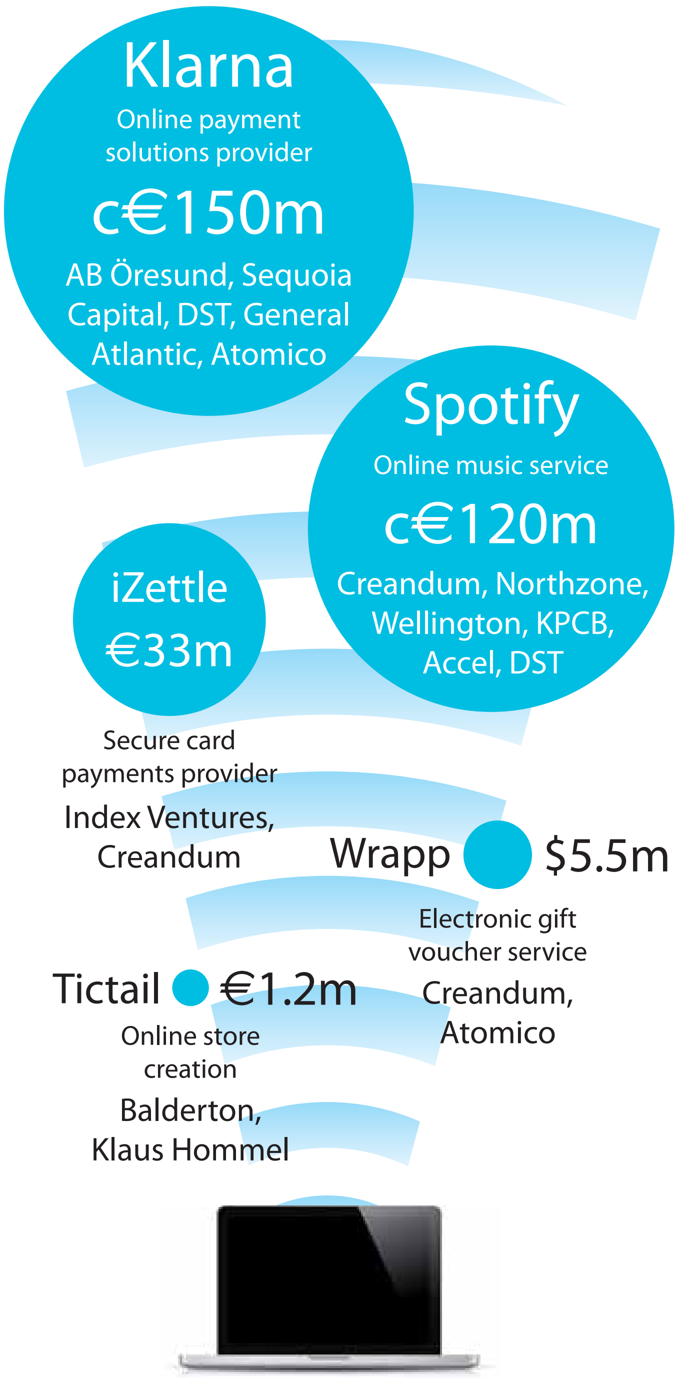
It is hoped the ecosystem will develop organically, attracting further international investors as a consequence – a development path Blomquist welcomes. "Finland has much more of a supporting system for investment in early-stage. But it may have some negative impact in terms of too many start-ups getting funding from the state," he suggests. "Companies get better at winning money from the state than they are at winning customers!" ■

Hopes are high

Nordic-focused VC investor Creandum hit a €135m close for its latest fund in May. Having reached a €91.5m first close in May 2012, the latest vehicle is almost double the size of its predecessor. The fund – which includes 11 LPs, around half of which are Swedish with the rest European – will invest up to €10m in businesses in a first or seed round.

"When we discuss venture capital with LPs, do they get super excited? Well no, at first not really," says Blomquist. "But when we explain our performance, the situation in the Nordics and the success stories to LPs, we get a very positive attitude. Of course, on aggregate there are fewer billion-dollar opportunities than in the US, but when you look at the size and the amount of capital invested, the Nordic region is clearly punching above its weight." And LPs seem convinced: only one investor in the previous fund refrained from backing the GP's latest vehicle.

Ones to watch



Q&A: Karl Swartling

Karl Swartling, CEO of **AP6**, discusses the Swedish government's Langensjö inquiry into state pension funds and its recommendations for drastic saving measures. How will it affect AP6 and how best to prepare for the changes?

What do you think is AP6's future with private equity given the current discussions surrounding the Langensjö inquiry?
The team and expertise AP6 has collected represents a centre of excellence, and this is something worth fighting for. If the proposal is to break AP6 up and distribute the assets to different funds and structures, then that would be very unfortunate for the pension fund as a whole. This is because private equity investment will benefit from scale and we have proved, and I think will continue to prove, that the asset class has an interesting return potential and is something the pension system should continue to include.

How have you prepared for upcoming regulatory changes with Swedish state pension funds?
The way we are handling this – and this is in tune with the instructions from our owner (the Swedish government) – is to keep going. And if something happens three years from now, we will see how the structures are adjusted and where the private equity asset class will end up. We are in the middle of the process that started in 2011 to redefine our strategy, rebalance our portfolio, move ahead and be very active on the market. And that's what we're doing.

You are currently redefining your strategy. Can you describe your future strategy and how and why it has evolved over the past few years?
The Sixth AP Fund is a long-term investor in unlisted companies. Our focus going forward will be on more mature companies with growth potential, because in this segment the fund has historically enjoyed a high favourable return (+16.3% annual return since its inception in 1996). This applied irrespective of whether the investments were made directly in companies (+17.1%) or indirectly via other funds (+14.8%).

The fund's future-oriented strategy is to build further on such investments in the buyout segment. Direct investments in early stages (venture capital) have thus not been included in the fund's strategy since 2011.

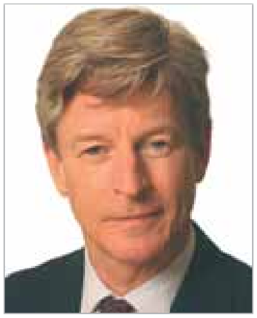
Karl Swartling, CEO, AP6

"The asset class has an interesting return potential and is something the pension system should continue to include"

To what extent does corporate social responsibility (CSR) factor in your investment strategy? How has that changed since the crisis?
We aim at having CSR as an integral part of our investment activities and as such ensure that investment sustainability and CSR-issues are integrated into the due diligence process in a transparent manner. If AP6 comes to the conclusion that a potential investment fails to meet the requirements for sustainability efforts, the investment is rejected. Existing holdings in companies and funds are managed according to a model where the sustainability requirements are gradually increased. For all investments AP6 applies a running update of status through integrated reporting. Through this, improvement areas are captured and addressed.

Simon Wakefield, **SEB**'s global head of acquisition finance, sees the current surge in debt availability driving not only the refinancing of mature debt facilities but also stimulating an increase in new transactions

Q&A: Simon Wakefield



Simon Wakefield, global head of acquisition finance, SEB

What's your view on debt accessibility in the Nordic region?
The availability of bank debt has been one of the strengths of the Nordic market. Even during the most recent crisis in 2009, at least two of the major banks remained open. Since 2012, all the banks are active in private equity and at least two of them have focused much more aggressively on the sector than they have in the past. The Nordic banks continue to be willing to hold notably large amounts in individual transactions. The banks generally have plenty of capital and the funding problems have faded away, so debt availability is high. This is underpinned by international liquidity.

How has this affected leverage?
In this environment, leverage levels are climbing and yields are dropping. However, since we are coming off a base over the last five years that might be called a "golden age" for senior debt LBO financing, levels are still broadly acceptable. Leverage levels have been 3-4.5x but are moving up above 5x for more stable businesses.

The first phase of this has resulted in a multitude of refinancings to extend maturities and ease covenant pressure plus some dividend releveraging. The next phase may see a surge in sales and secondary purchases.

Are there any new developments in the local high-yield market?
Since the Medstop deal in mid-2011, there have been 10 bond issues by Nordic private equity-owned companies. We continue to see inflows into high-yield funds given the low-yield environment for sovereign debt, uncertain growth outlook for equities and contained default rates. We view high yield as a complementary product to leveraged loans. On the positive side, it usually does not require amortisation, has a more flexible covenant package and allows higher leverage. However, bonds are difficult or expensive to prepay, the larger number of lenders makes it more difficult to obtain waivers or amendments and they currently require a higher interest rate than loans. Medstop recently obtained an amendment to their change-of-control language in their bonds to facilitate the sale of the company, which was an encouraging development.

Terms and conditions for such bonds are being standardised, although there is a debate between sponsors, investors and banks about the most appropriate covenant package. Disclosure has improved significantly to ensure investors have sufficient information to monitor their investments, while retaining a practical approach that is not driven by disclaimers, to limit liability in an environment like the US. Also, as we see high-yield bonds increasingly providing the senior debt in the capital structure, inter-creditor issues with RCFs (revolving credit facility) have become more relevant. We did the first Nordic high-yield bond with a super senior RCF in 2012 where we, as bookrunner and RCF provider, ceded control of the share pledge to bond investors for a period of time. ■

"The banks generally have plenty of capital and the funding problems have faded away, so debt availability is high"

Q&A: Sven Lidén

Sven Lidén, chief executive at global fund-of-funds **Adveq Management AG**, explains the importance of sourcing and warns that past performance does not necessarily guarantee future outperformance

Sven Lidén, CEO, Adveq Management AG

What is your outlook on the Nordic private equity market in 2013?
We think the high portion of secondary deals is here to stay and is the new normal, at least for 2013/2014. On the fundraising side, we believe more international investors will enter the Nordic market as it is perceived as a very safe place to invest and many funds are now seen as established firms raising fund generation three or above. We believe that the Swedish market will have two brand new small buyout teams who are able to raise their funds this year, and some others who will spend more time than expected on the road fundraising.

What are the most important criteria for Adveq when choosing Nordic funds?
Sourcing, sourcing and sourcing! As simple as it is, the sourcing quality of the team will sort the wheat from the chaff. This might be a clear advantage for new teams focusing on sourcing from day one without having to spend time on a legacy portfolio. Excellent deal pipeline management and strong relationship build-up with the sellers should help to buy companies outside competitive auctions at reasonable valuations. Fund managers must be able to create their own dealflow.

"As simple as it is, the sourcing quality of the team will sort the wheat from the chaff"

The second important criterion is the operational experience and capability within the team. In a highly competitive market like today's, the teams that can do the more complex deals will be the clear winners, often solely by not overpaying at entry.

Around €10bn's worth of funds were raised during the past year to be invested in the region. In which sectors do you expect them to be deployed?
The high number of secondary deals currently occurring indicates a very similar industry split like back in 2008/2009. In that period we saw a high portion of deals closing in the healthcare and business services sector. Over the last three years we experienced a strong increase in the travel and leisure industry as well as the industrial engineering and construction material space.

Secondary buyouts accounted for 40% of all exits in the Nordic countries in Q1 2013, against 30% in Q4 2012. Why are SBOs on the rise?
The capital supply-and-demand balance at the smaller end is still much more favourable compared to the larger end. Investors are recognising the high level of competition in the Nordic region but many are still convinced, even in this environment, that the small Nordic private equity funds will outperform their peers in Europe where investors face other potential risks. The strong socioeconomic situation combined with high quality management within the companies still makes the Nordic region one of the most attractive private equity markets in Europe. Nevertheless, investors should not underestimate the workload required when analysing the small buyout space and, more importantly, should not forget that top past performance is no guarantee for future outperformance.

Q&A: Joachim Høegh-Krohn

Joachim Høegh-Krohn, CEO at Norwegian private equity-focused asset manager **Argentum**, outlines his main concern regarding investment prospects and explains why track record is not necessarily the best reason to select a fund manager

Joachim Høegh-Krohn, CEO, Argentum

Where does Argentum invest?
We were set up in 2001 by the Norwegian Ministry of Trade and Industry and today manage €1.3bn. Roughly a third of this is managed on behalf of third parties.

Through our partner programmes, our investors can access primary funds (since 2008), secondaries (since 2009) and co-investment opportunities. The last one is the newest, set up last year as our Nordic Additional Funding Programme. Here we invest in funds that sit within Argentum's portfolio.

We estimate we are invested in around 15% of Nordic funds, but a third of Nordic exits – highlighting the importance of savvy fund manager selection.

What are the most important criteria for choosing a fund manager in the current environment?
The top criteria for choosing a fund manager to back are track record, team and strategy. Team is most important, though I'm aware most would say track record. In our view it is significant, but not as significant as others say it is. This is because the market is dynamic, and history is only relevant if it was based on both a strategy that makes sense going forward and a team to implement it. Only after all these criteria are satisfied is track record important.

But you have to do the forward-looking analysis, not just historical. Does the team have the competence to drive this going forward? We've declined GPs with a strong track record because of an unconvincing strategy.

What is your main concern about investment prospects these days?
We're quite concerned about fees. We think they're an issue – particularly management fees. If you look at the amount invested and not committed capital, the difference in our gross versus net returns is around five percentage points. This is high. But the real point is net returns. Our target is 15% and if that can be achieved, we invest.

"Team is most important, though I'm aware most would say track record"

We have tried to negotiate and I think we've had some success by way of working with other partners to front the negotiation. But it'll remain an issue for years to come. But this is not a reason not to invest – you have to consider each fund on its merits.

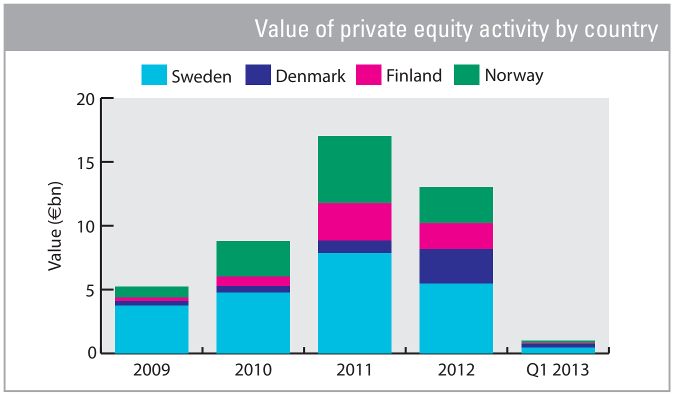
Where is the best spot to invest in the Nordic region?
Returns for the lower mid-market have been stronger than for large-cap because it's not as competitive. But precisely for this reason it won't remain the case, and so won't be as attractive going forward. For this reason, we may expand the remit to northern Europe. ■

STATISTICAL COMMENTARY

By Greg Gille

An increasingly multi-polar market

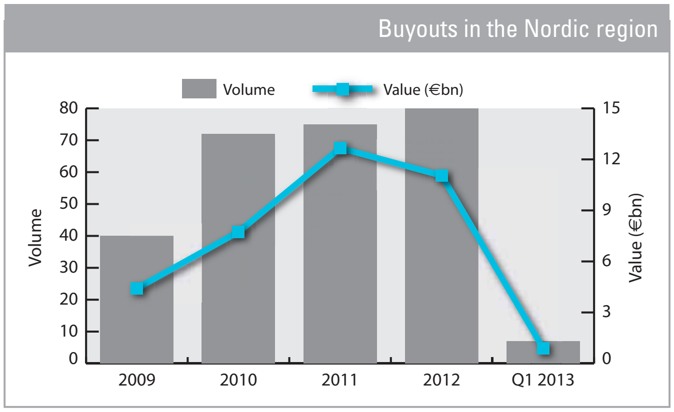
Once the darling of European private equity, it appears that last year's activity in the Nordic countries failed to match both expectations and the significant reserves of capital ready to be deployed in the region. In terms of volume, private equity activity in 2012 was virtually on par with 2011 with 198 transactions, but the overall value of these deals fell by almost a quarter to settle at around €13bn. Not all regions fared equally though; Sweden's share of the Nordic market in value terms has been slowly eroding since 2009, while Danish activity picked up the pace in 2012 and has featured strongly so far in 2013.



Source: *unquote" data*

A tough start to 2013 in the buyout market

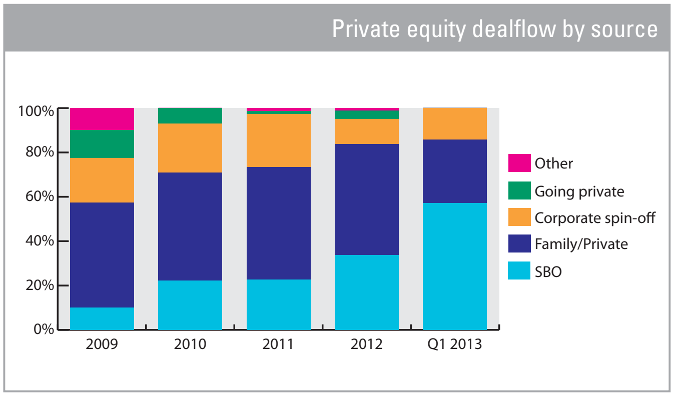
Private equity buyouts targeting Nordic businesses were no scarcer in 2012 than in the previous year, unlike other European countries. Despite a slight increase in the volume of transactions, overall value did fall back by around €1.6bn – no doubt the effect of the SEK 21bn (€2.4bn) secondary buyout of Swedish monitored alarm provider Securitas Direct on 2011 figures, while no buyout broke the €2bn mark last year. First quarter figures don't bode well for the year to come, though; the Nordic region was home to only seven transactions worth slightly less than €900m. The €400m SBO of Danish logistics company Unifeeder by Nordic Capital in April will hopefully be the first sign of a welcome recovery.



Source: *unquote" data*

"Pass-the-parcel" gaining popularity

The growing importance of secondary buyouts (SBOs) to Nordic private equity dealflow could further illustrate the rarefaction of strong primary investment opportunities in the region. Such transactions accounted for around a third of all buyouts last year volume-wise, and an even more impressive 57% so far in 2013. Tellingly, all buyouts thought to be valued at more than €500m in the past 12 months were transacted between GPs. Besides the aforementioned Unifeeder deal, Nordic Capital was also behind another notable SBO in 2013: the firm acquired Swedish home shopping companies Ellos and Jotex from Redcats, a wholly owned subsidiary of French company PPR, for €275m in February.



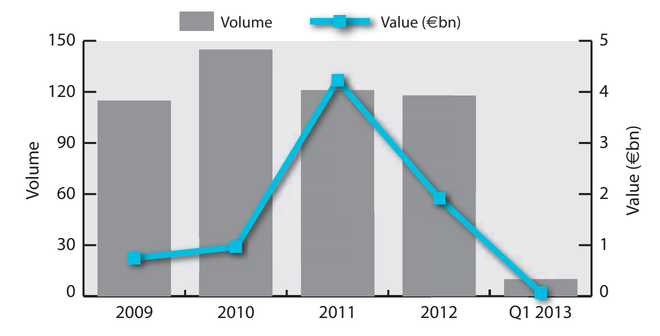
Source: *unquote" data*

NORDIC REPORT

Growth capital activity holds steady

Although the 2012 value total might suggest otherwise, venture and growth capital activity remained very consistent in the Nordic region last year – the impressive €4.2bn recorded in 2011 being heavily skewed by Allianz Capital Partners taking part in the purchase of a 24.1% stake in Norwegian gas transport infrastructure provider Gassled from Statoil ASA for NOK 17.35bn (€2.3bn). But the picture might not remain as encouraging in 2013 based on Q1 figures: the Nordic region was home to only 10 early-stage and expansion investments believed to be worth an overall €72m. Significant transactions included Altor investing up to SEK 210m to increase its stake in Swedish steel and aluminium company Åkers Group.

Growth capital deals in the Nordic region

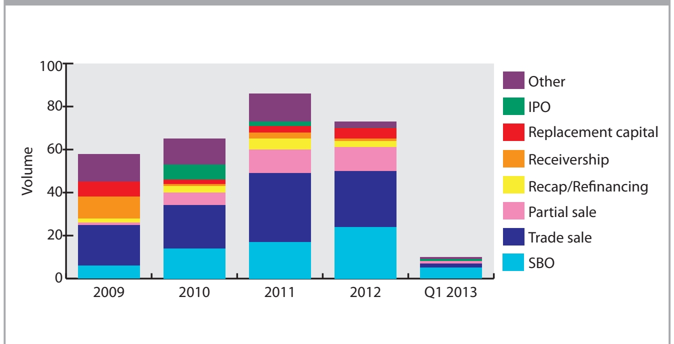


Source: *unquote" data*

Divestments on the wane

Following a strong two-year run, exit activity in the Nordics took a slight step back in 2012 with 73 divestments, against 86 the year before. SBOs unsurprisingly featured more prominently than in years past, but the largest exit recorded in 2012 came via a trade sale: EQT and Investor AB sold the remaining division of Swedish healthcare business Gambro Group to Baxter International for SEK 26.5bn (c€3bn) in December. The exit market appears as subdued as incoming investment activity so far in 2013. Nordic Capital was nevertheless able to reap a 5x multiple on the €655m sale of Permobil to Investor AB in March.

Volume of private equity exits by type

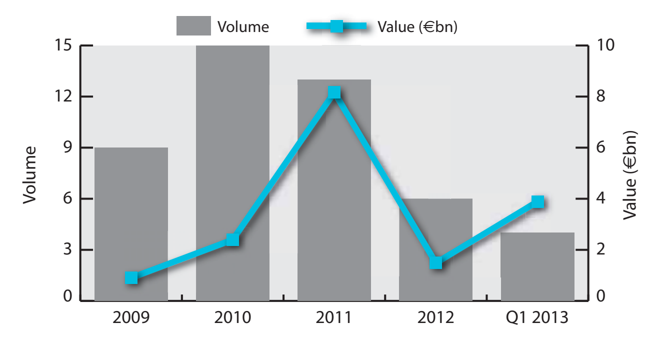


Source: *unquote" data*

Fundraising wave rolling back?

Last year did not bring the same headline-grabbing final closes seen in 2011, when EQT and HitecVision raised €4.75bn and $1.5bn respectively for their latest buyout vehicles. Local players reaching a first or final close were indeed few and far between in 2012 compared with previous years, with six closes recorded by *unquote"*. The first few months of 2013 have nonetheless seen fundraising efforts carried out throughout the previous year coming to fruition: EQT closed its latest infrastructure vehicle on €1.9bn, and Nordic Capital held a €1.7bn first close for its eighth fund. It remains to be seen whether this influx of fresh capital can be matched by a steady supply of investment opportunities in the region going forward.

Nordic private equity funds reaching first or final close



Source: *unquote" data*

LEAGUE TABLES

Buyouts

	2008	2009	2010	2011	2012	Q1 2013	Total
CapMan Group	5	2	4	3	2		16
EQT Partners	3	2	2	6	3		16
Sentica Partners	6	2	2	4	1		15
Nordic Capital	3	1	2		6	1	13
Altor Equity Partners	3	3		5	1		12
Norvestor Equity AS	3		3	1	4		11
Procuritas AB	1	1	4	3	2		11
Intera Equity Partners Oy	2	1	4	3	1		11
Litorina Kapital	3	1	2	2	3		11
Herkules Capital	2	2	3	2	1		10
Polaris Private Equity	2	2		2	4		10
Accent Equity Partners	2	1	2	5			10
FSN Capital	2	3	1	1	2	1	10
Valedo Partners	3	1	1	2	2		9
Triton Advisers	1	1	3	1	2		8
Segulah	2	1	3	1		1	8
Axcel	2	1	2	1	2		8
Reiten & Co Capital Partners	3	1		2	2		8
Priveq Partners	2	1		1	4		8
Maj Invest Equity	1	2	2	1	2		8
Ratos Holding			4	1	1	1	7
HitecVision	1	3	1		2		7
Via Venture Partners	1	1	1	1	1	1	6
Karnell		1	2	2	1		6
Capidea Management	1	1	2	1			5
Borea Opportunity	3		1		1		5
Vaaka Partners Ltd	2			2	1		5
PEQ			2	1	2		5
AAC Capital Partners	1	1	1	1			4
Verdane Capital Partners	2				1		3

Early-stage

	2008	2009	2010	2011	2012	Q1 2013	Total
Chalmers Innovation		13	4		3		20
Seed Capital	2	1	4	2	3	3	15
Industrifonden	1	3	2	6	3		15
Vækstfonden	6	3	4	1	1		15
Sting Capital	7	4	1	2			14
Sunstone Capital AS	2	1	5	3	2		13
Almi Invest		2	5	2	3		12
Northzone Ventures	6	2	1				9
Teknoinvest	1	4	2	1			8
Investinor AS		4	2	1			7
Creandum AB	1	1		2	3		7
Norinnova Forvaltning AS	1		3	1	1		6
KTH Seed Capital	3	1		2			6
Viking Venture AS		3	2				5
Finnish Industry Investments	2	1		1	1		5
Proventure	3	1	1				5
InnovationsKapital Management	1	3	1				5
Conor Venture Partners	2	1		1	1		5
Provider Venture Partners	1	1	2	1			5
Contango Kapital AS	1	2	1				4
Sixth AP Fund	1	1	1	1			4
Seed Fund Vera Ltd	4						4
SamInvest Mitt AB			2		2		4
HealthCap Private Equity		2	2				4
Sarsia Seed Management AS			2	1	1		4
Första Entreprenörsfonden		1	2				3
Index Ventures				2	1		3
Syddansk Teknologisk Innovation	1		2				3
Alliance Venture	1	1	1				3
Fjord Invest	1	1	1				3

Legal

	2008	2009	2010	2011	2012	Q1 2013	Total
Vinge	23	12	8	11	9		63
Delphi	11	5	12	6	5	1	40
Mannheimer Swartling	10	3	9	7	4	1	34
Roschier	6	2	7	7	8		30
Wiersholm Mellbye & Bech	4	4	6	8	2		24
Hannes Snellman	6	3	6	2	3		20
Thommessen	9	2	3	5			19
Schjodt	8	2	3	3	2		18
White & Case	4	5	4	4	1		18
Accura	5		3	3	4	1	16
Lindahl	6	3	6	1			16
Castrén & Snellman Attorneys	4	2	3	4	1	1	15
Gernandt & Danielsson	4	1	3	6	1		15
Krogerus	2	2	6	4			14
Kromann Reumert	4	4	2	2	1		13
Cederquist	2	3	2	3	1	1	12
Arntzen deBeche			6	4			10
Andulf Advokat AB	6	1		3			10
Steenstrup Stordrange DA			8	1			9
Torngren Magnell	2	3	2	1	1		9
Baker & McKenzie	1	1	4	1	2		9
Selmer	1	2	3	1	1		8
Clifford Chance		1	3	1	3		8
Setterwalls	3	1	3	1			8
BA-HR	4		1	2	1		8
Gorrissen Federspiel	4		1	2	1		8
Borenius	3		3	1			7
Bruun & Hjejle	2	2	1	1	1		7
Bird & Bird		1	1	4	1		7
Linklaters	2	2	1	1			6

Corporate finance

	2008	2009	2010	2011	2012	Q1 2013	Total
SEB Enskilda	4	6	4	5	6		25
ABG Sundal Collier	2	5	4	4	1		16
Nordea Bank	2	2	2	2	4		12
Carnegie Bank	1	3	4	2	1	1	12
PricewaterhouseCoopers UK	4		1	3	1		9
Handelsbanken Capital Markets	1		3	4		1	9
Pareto	7	1					8
Arctic Securities		3	2	1	1		7
DNB Nor		5		1	1		7
KPMG's Private Equity Group	1	1	1	2	1		6
Morgan Stanley		1	2	2	1		6
UBS AG	1		2	2			5
First Securities	1	1	2	1			5
Goldman Sachs London	1	1		2	1		5
Ernst & Young – TAS	4						4
Danske Markets	1		3				4
GP Bullhound	1		1	1	1		4
FIH Partners	1	1			1		3
Bank of America	1		1	1			3
Arctos	2			1			3

Financial due diligence

	2008	2009	2010	2011	2012	Q1 2013	Total
PricewaterhouseCoopers UK	22	12	22	15	8	1	80
Ernst & Young – TAS	21	7	16	17	6	1	68
KPMG's Private Equity Group	17	13	17	14	2	1	64
Deloitte	15	4	13	8	5	1	46
Grant Thornton UK	7	5	5	5			22

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