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Nordic

# Private Equity Index

NOVEMBER 2011

KPMG's Private Equity Group is a multi-disciplinary group providing co-ordinated services to the private equity industry. We benefit from an international network and are able to support our clients through all stages of the investment cycle, from fundraising, deal sourcing and performance improvement to realisation.



**Taus Wolfsberg**  
Head of Private Equity

Tel: +46 (0)73 327 20 62



**Christer Wiberg**  
Head of T&R

Tel: +46 (0)8 723 95 16

■ Welcome to the third Nordic unquote" Private Equity Index published in association with KPMG.

This quarterly feature analyses trends in the number, value and financing of deals in the Nordic region, and also provides a snapshot of the sentiment among private equity practitioners active in the region.

With Sweden being the most prominent country in the region in terms of volume and value, the Nordic Private Equity Index plots Swedish activity against combined figures of Denmark, Finland and Norway (NORDICS).

Quarterly transaction levels are analysed for two buyout value brackets (<€150m and €150m+) as well as early-stage and expansion deals.

Yours sincerely,

Emanuel Eftimiu  
Head of research, unquote"  
Tel: +44 20 7004 7464  
emanuel.eftimiu@incisivemedia.com

[www.unquote.com](http://www.unquote.com)

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Haymarket House  
28-29 Haymarket  
London  
SW1Y 4RX  
UK

Tel: +44 20 7484 9700  
Fax: +44 20 7004 7548

Editor-in-chief  
Kimberly Romaine  
kimberly.romaine@incisivemedia.com

Head of Research  
Emanuel Eftimiu  
emanuel.eftimiu@incisivemedia.com

Publishing Director  
Catherine Lewis  
catherine.lewis@incisivemedia.com

Events, Sponsorship & Advertising  
Steinar Liverud  
steinar.liverud@incisivemedia.com

Production Editor  
Tim Kimber  
tim.kimber@incisivemedia.com

Sub-editor  
Richard Cosgrove  
richard.cosgrove@incisivemedia.com

Marketing  
Helen Longhurst  
helen.longhurst@incisivemedia.com

Subscription Sales  
Tom Riley  
tom.riley@incisivemedia.com

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## Q3 2011: Uncertainty returns

European private equity activity recorded a slowdown in the third quarter, following an impressive surge in the three months prior. Public market volatility saw the buoyant high-yield market, which had fuelled deal doing at the large end, grind to a halt, while the re-emergence of trading uncertainty dampened activity in the small and mid-cap space. The Nordic region followed a similar pattern. Just 14 buyouts were recorded in the third quarter – a 46% drop from the 26 transactions seen in the previous three months although still on par with the Q1 total. Overall deal value more than halved to €2.6bn quarter-on-quarter, but was still significantly up compared to the first three months of the 2011. Additionally, mega buyouts completed in the region so far this year have pushed the total value above the 2010 mark and to the highest level since 2007.

Improving debt availability clearly contributed to rising deal values with the proportion of all-equity transactions falling to a new low in Q3. It will be interesting to see how this ratio develops in the final quarter of the year as the high-yield market has come unstuck and leverage might once again be difficult to come by.

As every quarter the Nordic unquote" Private Equity Index is looking to assess the activity in the region and to provide clues about what can be expected for the months ahead. Let's therefore look at the facts starting with the smaller buyout deal bracket, followed by buyouts worth more than €150m and finally early-stage and expansion capital deals.

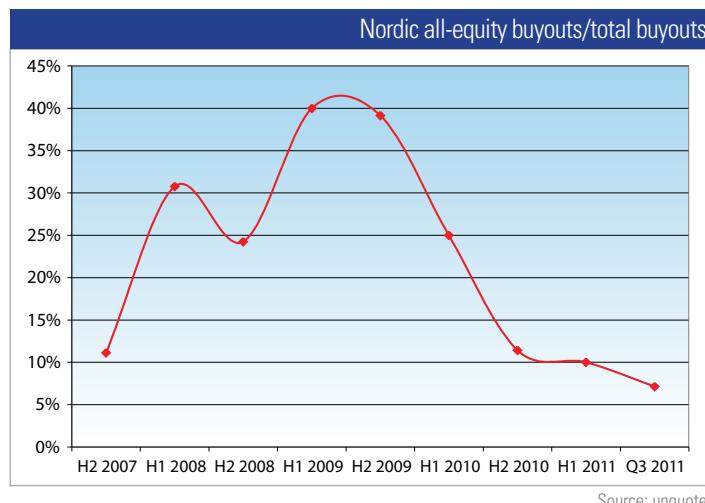
- Deal activity in the smaller value range recorded its seasonal slowdown in Q3 with 12 buyouts compared to 22 in the previous three months. Buyout volume though is on par with totals recorded over the same period in 2010 and up on the 5 deals seen in Q2 2009. Notably, total value of transactions in this deal bracket is one of the lowest recorded in a third quarter, with the five buyouts announced in Sweden worth just €178m and those in the Denmark, Finland and Norway totaling €349m.
- The larger deal bracket (€150m+) also saw a slight drop in dealflow with just two transactions – the first quarter since Q1 2010 where less than three transactions have been recorded in this deal range. That said, the overall value of €2.2bn is still the third highest quarterly value total seen since Q4 2007, mainly due to the €1.86bn secondary buyout of Com Hem. Sweden remains the main market for deals in this deal range accounting for both transactions.

■ Early-stage and expansion capital activity continued its negative trend in Q3, slumping to its lowest level since 2004. Only 13 transactions were recorded compared to 22 in the previous three months and 37 in Q1 2011. Sweden saw a sharp decline in venture activity recording the lowest quarterly volume and value since 2004 with only five transactions worth €13m. The total value of €424m in the region is slightly misleading as a single deal accounted for most of this value: TPG's €382m investment in Danish Saxo Bank for a 30% stake.

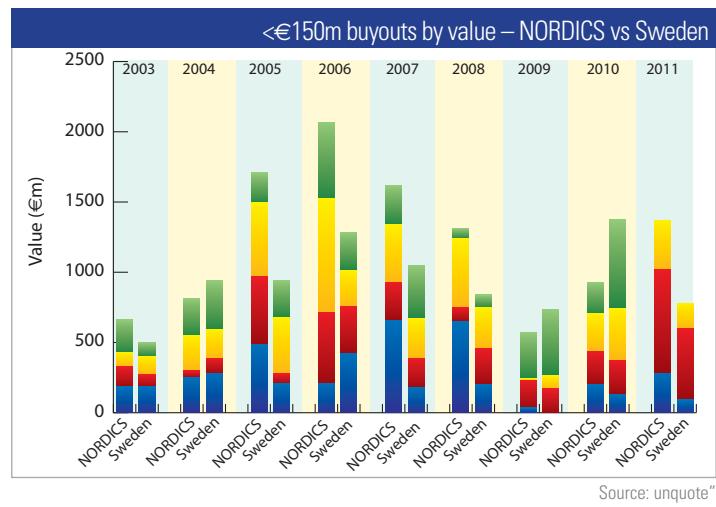
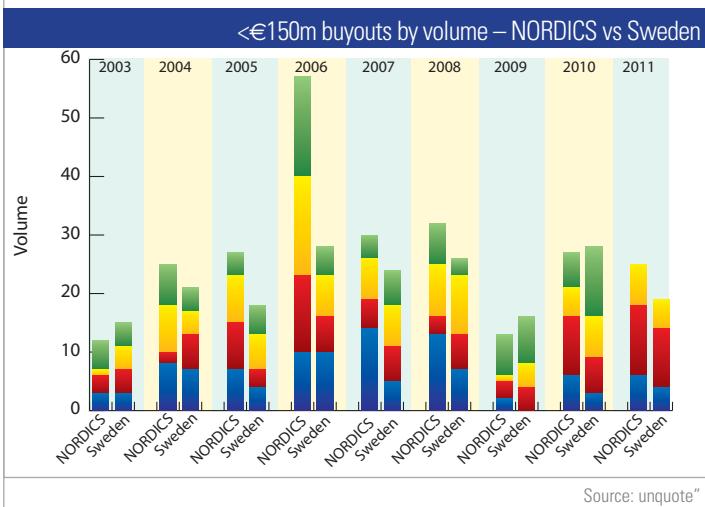
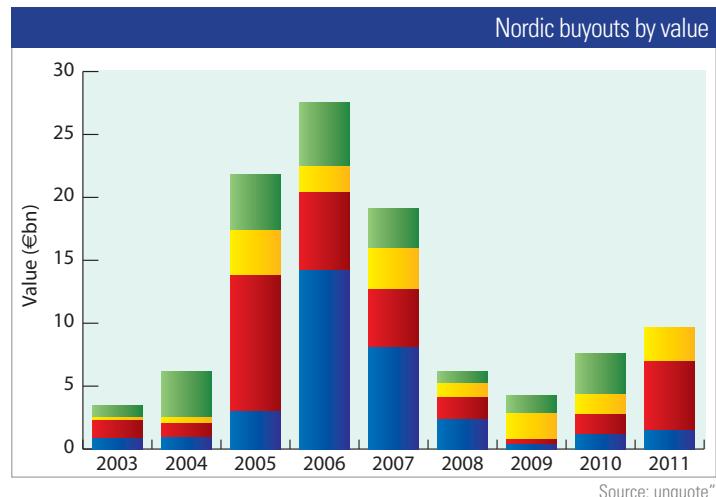
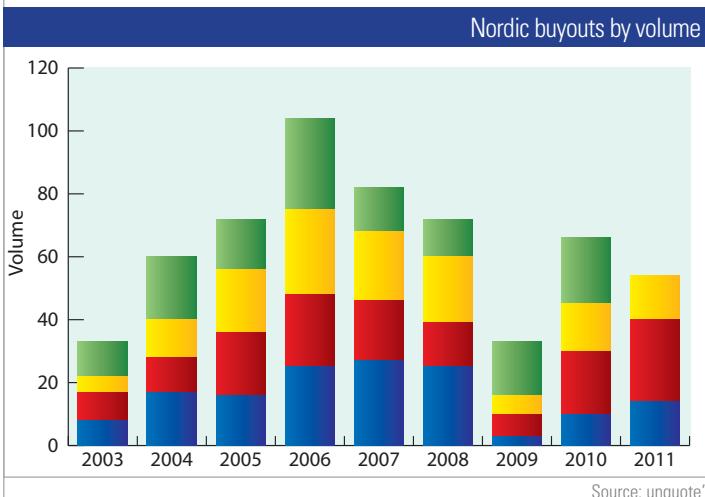
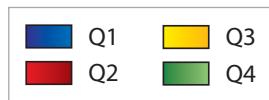
Alongside these hard facts the Nordic unquote" survey reveals some softer facts:

- There is a slight mood change among private equity practitioners in the region with the majority expecting activity in the smaller deal bracket to remain at similar levels in the next six months, while volume for €150m+ deals is expected to decrease. Given the wider economic uncertainty it is maybe not surprising that healthcare is once again regarded as the most attractive sector for deal doing in the near future.
- With regards to the exit environment, professionals don't expect public markets to be a viable channel for the foreseeable future. Indeed, the majority believe that favourable IPO conditions won't return until 2013 and beyond.

Going into the last quarter of the year, the previously bullish private equity market in the Nordic region has lost some of its momentum. The next months will determine whether Q3 is to be regarded as a mere blip in the region's recovery or whether 2011 will indeed be a year of two halves.

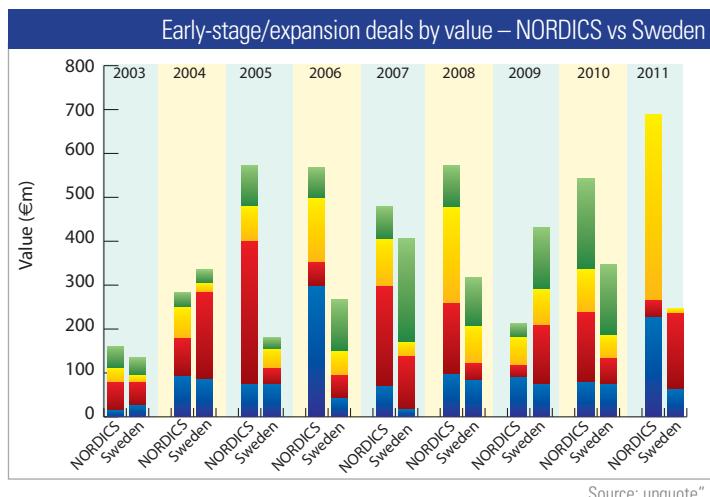
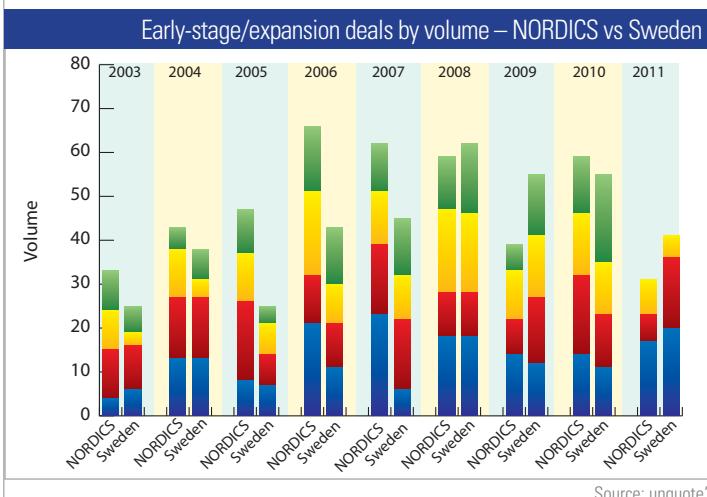
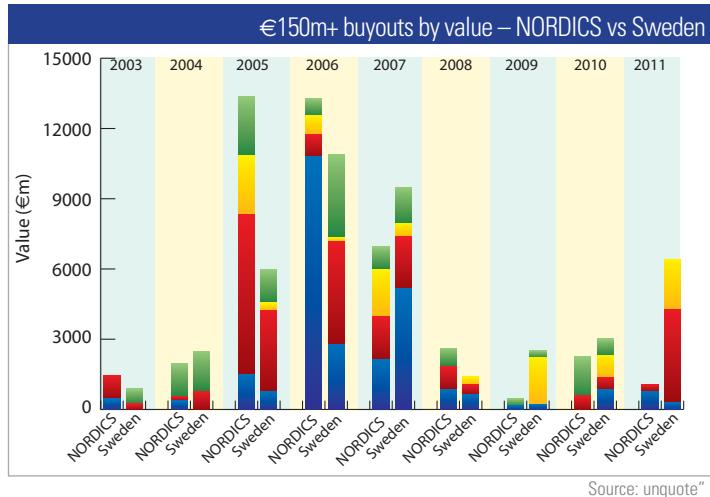
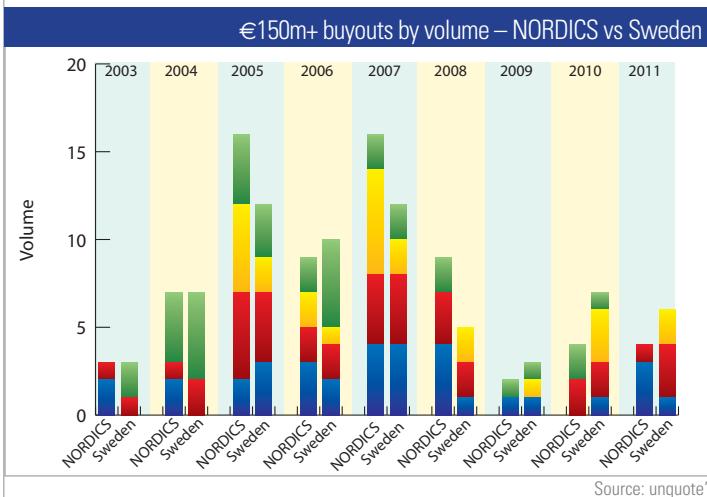
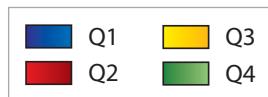


## VALUE & VOLUME



The NORDICS area includes Denmark, Norway and Finland.  
Statistics and data for Sweden are recorded separately.

## VALUE & VOLUME

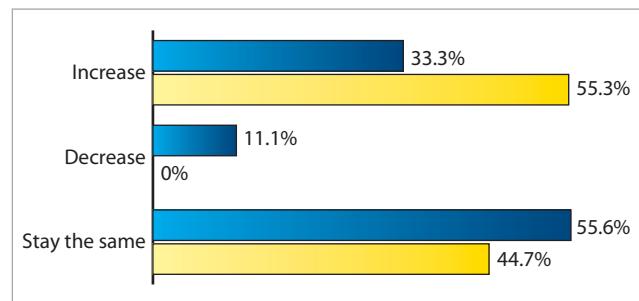


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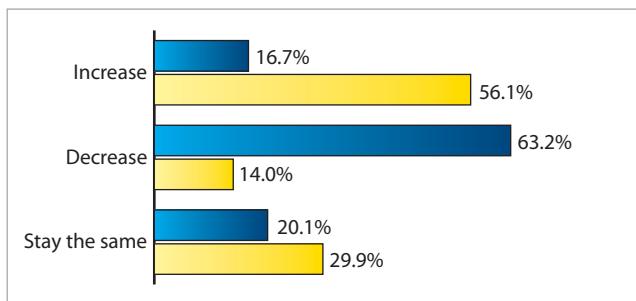
In order to produce these statistics, more than 500 key players in the Nordic private equity and venture capital markets were surveyed.

  Q3 2011 results  
  Q2 2011 results

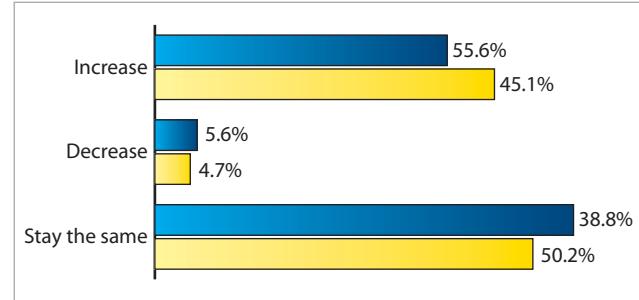
1 Over the next six months do you expect activity levels in the lower mid-market buyout segment (<€150m) to increase, decrease or stay the same?



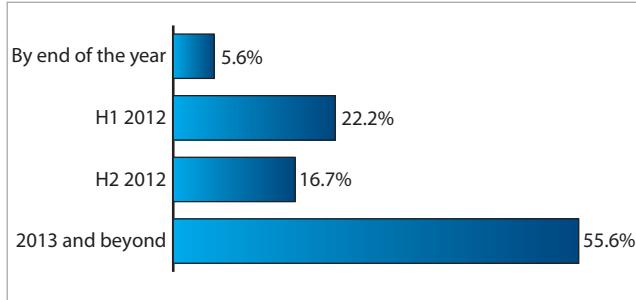
2 Over the next six months do you expect activity levels in the upper mid-market segment (>€150m) to increase, decrease or stay the same?



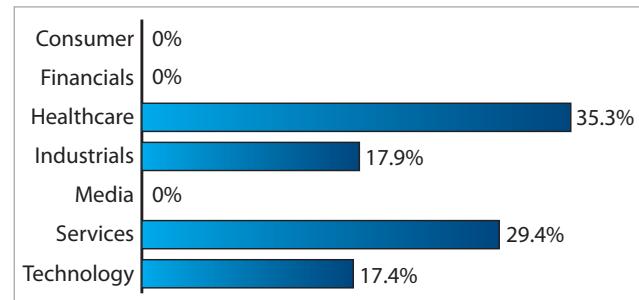
3 Over the next six months, do you expect current debt multiples in deals to increase, decrease or stay the same?



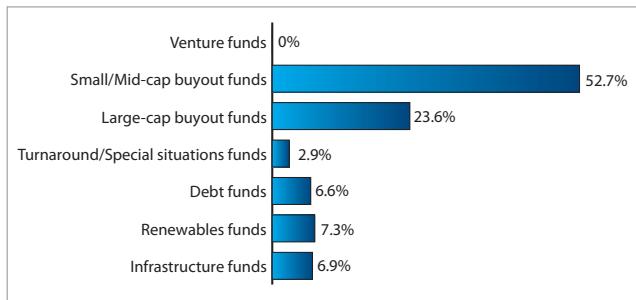
4 When do you foresee favourable IPO conditions in the Nordic region?



5 Which sector will provide the most attractive investment opportunities in the next six months?



6 What type of funds will continue to attract LP commitments in the Nordics?



# KPMG Private Equity Group

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**For further information please contact:**

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

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

[kpmg.se](http://kpmg.se)

