

# Nordic Private Equity Trends

## November 2018



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## About Delphi

*Delphi has expertise in all core areas of commercial law. An important part is the corporate desk, with a large number of domestic and cross-border M&As and extensive private equity, banking, finance and capital markets practices. Delphi is also well established in high-tech related legal areas such as IT, telecoms and intellectual property.*

*Delphi has clients mainly in Scandinavia, Europe and North America and further co-operates with law firms all over the world including China and Eastern Europe. Delphi regularly acts for Nordic and international private equity and venture funds on acquisitions and divestments, acquisition finance, management incentives as well as IPOs. Delphi's private equity practice also includes fund formation and LP advisory.*

## Editorial



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# Hot market fuels dealflow and innovation

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**David Aversten**  
Delphi

It is shaping up to be another very strong year in Nordic private equity. After only three quarters of the year, 104 buyouts have been recorded, which puts the market on course to surpass last year's 121 and achieve the strongest dealflow in a decade.

Similarly impressive, a few mega-deals pushed aggregate deal value towards all-time records. The merger of EQT's Sivantos with Widex created a hearing aid giant worth around €7bn, while Hellman & Friedman took payments services firm Nets private in a deal worth €4.5bn. It had been listed just two years earlier by Advent and Bain. Take-privates like these may be a sign of things to come.

From a sector perspective, *Unquote Data* confirms the Nordic market is weighted more towards technology, media and telecoms (TMT) than other markets in Europe, a trend that has been particularly evident this year. Technology is also assuming a larger role in non-tech companies, with digitalisation and automation becoming a more common feature of value-creation strategies.

The Nordic countries have a bustling tech ecosystem with plenty of small disruptors coming through. Vertical B2Bs and payments services are some of the favourites among Nordic PE investors. However, multiples can be much higher compared with other sectors. A strategic buyer may be more

interested in bringing a proprietary technology into a larger group or platform, and may sometimes not be too concerned about earnings, which can in certain cases make it difficult for PE to compete. The mid-market is especially competitive – some traditional buyout houses are aiming at smaller deals, drifting closer to venture capital.

## Float an idea

Not all areas of the market are so hot. Flotation numbers have been tepid this year, as public markets lose some of their allure. Other PE houses and trade buyers have so much purchasing power that they offer a very attractive proposition compared with a more uncertain public market. It can take many months to prepare a company's IPO, and it will take up a huge slice of the CEO and CFO's time. The PE house also must have confidence in the future of the market for follow-on sales.

Indeed, there is a growing feeling that the most bullish days of public markets are behind us. Central banks are either withdrawing stimuli or hiking interest rates, while Brussels is beginning a new tussle with Italy over its budget, adding to the uncertainty created by Brexit and the US-China trade spat.

Despite geopolitical dramas, the underlying economic growth of the eurozone is steady, a big positive for M&A in the Nordic region. Growth in the Nordic countries themselves is quite healthy. It all points to a future of strong deal making. Perhaps the most reassuring feature of the current market is that competition is translating into more innovation and not just greater leverage and riskier targets. ■

“The Nordic region has a bustling tech ecosystem with plenty of small disruptors coming through”

David Aversten, Delphi

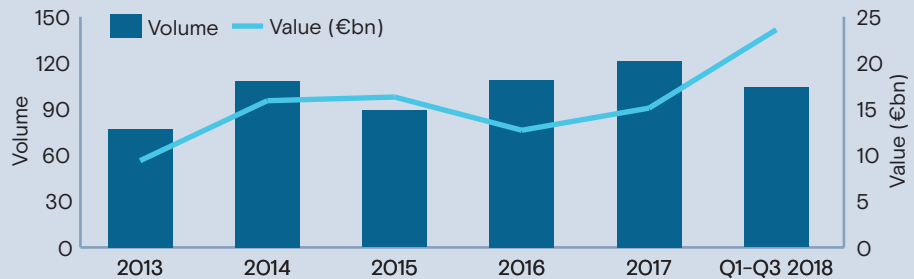


# Statistical overview

## Volume and value of Nordic buyouts

Source: Unquote Data

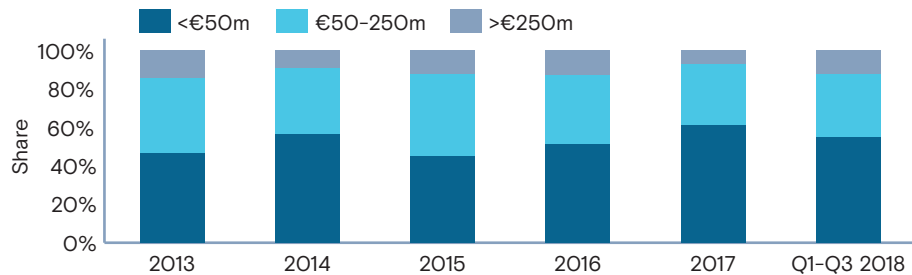
- Buyout volume is on course to reach a new record this year.
- Value has already overtaken last year's figure and could beat 2006's record of €28.8bn.



## Nordic buyouts by size range

Source: Unquote Data

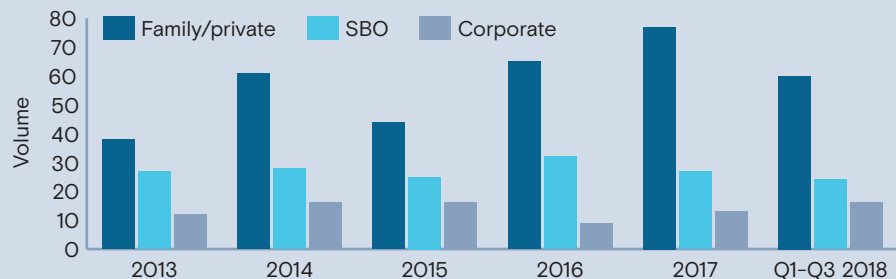
- It is likely to be a record year for deal volume in the €50-250m range with 34 deals - it has never beaten 40.
- There have been 13 large-caps, which is likely to surpass the post-crisis high of 14 by the end of the year.



## Nordic buyouts by vendor

Source: Unquote Data

- While the opportunities for SBOs have been increasing, private businesses remain the main deal source.
- Owners view it as a good time to sell, and others are looking for a strategic partner in fast-changing markets.

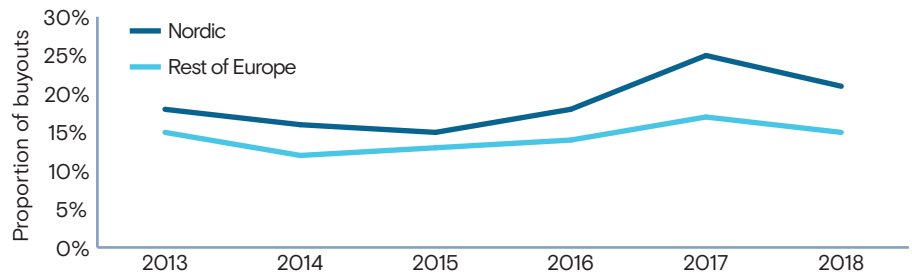


Nordic buyouts are on course for a record year in volume terms, while value has already exceeded last year's figure. The mid-market has been especially buoyant, with deals expected to surpass 40 for the first time

### TMT deals as a proportion of buyout dealflow

Source: Unquote Data

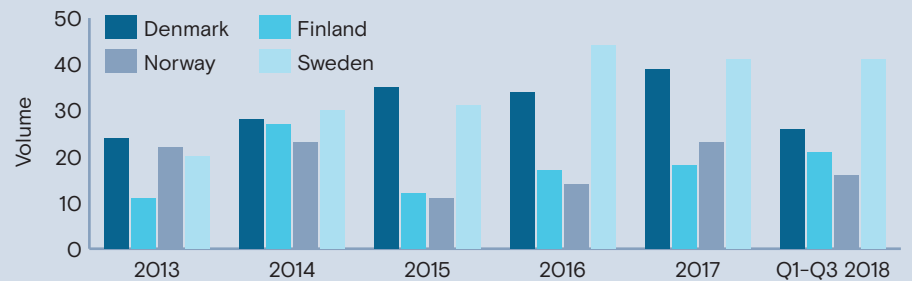
- Nordic countries have typically been among the most TMT-focused in Europe.
- This trend has become much more pronounced in the last two years.



### Volume of Nordic buyouts by country

Source: Unquote Data

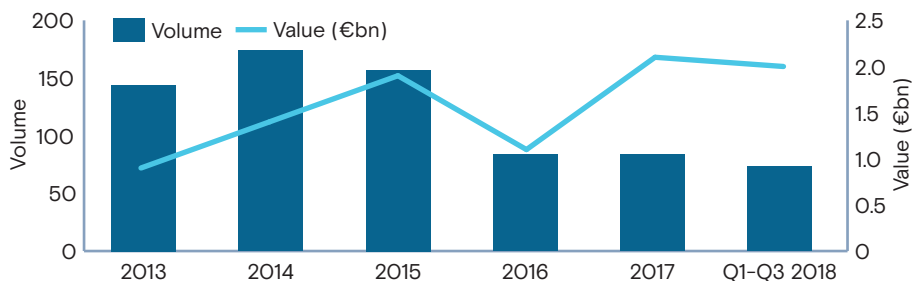
- Finland and Norway's dealflow have been steadily rising and are on course for another strong year.
- With 41 transactions, Sweden is three away from its largest ever year.



### Volume and value of Nordic early-stage and growth deals

Source: Unquote Data

- Early-stage and growth capital investments have continued a recent trend of fewer deals with large ticket sizes.
- Average equity tickets have climbed from €6.5m in 2013 to €27m this year.



# Flotations flounder

IPOs have had a weaker year in 2018 across the Nordic countries and have become less attractive as an exit route for private equity

Private equity houses are becoming more cautious over the prospect of flotations amid a wider decline in public market sentiment.

There were 44 IPOs in the Nordic countries over the first three quarters of 2018, with the full-year figure likely to come in well below 2017's 85. Of these, five were private-equity-backed companies.

It takes the proportion of private equity exits completed

through an IPO to a five-year low of 5%.

"The decline of IPOs is not specific for the PE industry, but a general trend," says Mats Dahlberg, head of capital markets at Delphi. "The capital market has been more volatile and uncertain this year, and there has been a number of recent unsuccessful IPOs."

Dahlberg notes that PE firms looking to exit a portfolio company have turned to other

options to avoid the public markets: "Some assets intended for an IPO have been exited through M&A transactions."

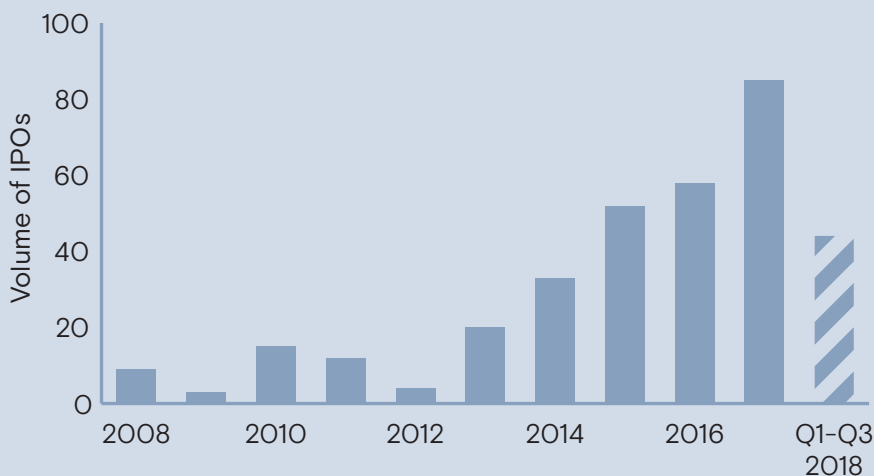
## Not the new normal

IPO activity has been frothy in recent years following a quiet patch after the financial crisis.

Says Dahlberg: "You can argue that the numbers of IPOs are still on a decent level applying a more long-term view, and it is possible or even likely that the IPO activity during the last years does not reflect a 'normal' IPO market. Accordingly, it is true that the number of IPOs has decreased during 2018 but the IPO window is still open for the right kind of assets."

Exits have been driven largely by more aggressive corporate buyers and competitive private equity houses. EQT partner Per Franzen recently told Unquote: "Over the past two years, strategic buyers have become more aggressive. As a result of the strong economic environment, confidence in the boardroom of corporate acquirers has strengthened further." ■

## Volume of Nordic IPOs



Source: Unquote Data

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# Bustling tech ecosystem draws attention of PE

Nordic technology has become even more of a hotspot for investment in recent years. The market is characterised by a healthy eco-system, high multiples and non-tech companies seeking to modernise

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Tech deals have tended to be proportionately more prominent in the Nordic market than the rest of Europe, a trend that has been particularly pronounced in the last two years. TMT deals accounted for 22% of Nordic buyouts in this year to date, and 26% in 2017, according to *Unquote Data*. This compares with 16% and 18% in the rest of Europe.

Says Nordic Capital's head of tech and payments, Fredrik Näslund: "We focus on vertical-specific software with strong underlying growth trends, which is typically more defensible, stable and sticky; the fintech segment is a good example." In March, Nordic Capital acquired Trustly, which provides payment services to online retailers, including instant pay-in, pay-out facilities based on bank transfers, rather than credit or debit cards.

"B2B is an area of focus," says Näslund, "but consumer preferences are generally too fast-moving for PE investors to

get comfortable with B2C models."

Each country in the Nordic area features well-defined software sub-sectors that have drawn investor attention. In Sweden, e-commerce has historically had a sturdy base, while Denmark has a history of producing B2B software across a range of applications. In contrast, Finnish software is often centred around networks and telecommunications management, while Norway is known for niche vertical software applications predominantly designed for use in the maritime and offshore industries.

## Top rate of techs

The vibrant technology ecosystem has inevitably been characterised by high valuations, with a notable increase being reported in the region over the course of recent years. This is due to the fact some buyers are looking at bringing a target's technology into a broader group, while others are enticed by the

opportunity to scale firms up quickly.

"While a track record of growth is important, investable businesses do not necessarily need to be profitable at acquisition," says Näslund. "They should, however, evidence strong scalability and the ability to achieve good profit margins."

Meanwhile, technology is playing a big part in transforming the fortunes of non-tech firms. Anders Thulin, head of digital practice at Triton, says: "Digital technology notably provides a company with an edge that competitors can't match, as they often don't have the resources or inclination to focus on tech.

"We have worked with companies that have quickly transitioned because of digital initiatives. Mehiläinen, for example, evolved from a traditional hospital-based business into a leading technology-driven healthcare provider that uses digital tools to improve outcomes for customers." ■

# League tables of PE investors and advisers

Legal and financial due diligence advisers, and buyout and growth/early-stage investors ranked by their private equity activity

## Nordic legal advisers

	2013	2014	2015	2016	2017	2018 Q1-Q3	Total volume
Vinge	3	6	4	17	9	23	62
Accura	4	5	15	14	12	6	56
Delphi	2	8	3	10	15	6	44
White & Case	1	4	8	7	12	4	36
Mannheimer Swartling	5	1	9	6	10	2	33
Roschier	2	13	1	4	8	4	32
Bech-Bruun	3	4	4	9	8	2	30
Kromann Reumert	3	1	3	5	9	6	27
Bruun & Hjejle		6	8	2	7	2	25
Wiersholm Mellbye & Bech	3	4	2	8	3	3	23
Plesner	3	1	7	2	6	3	22
Hannes Snellman	2	3	4	9	4		22
DLA Piper	3		2	2	9	5	21
Moalem Weitemeyer Bendtsen	1	3	4	2	4	6	20
Setterwalls		1	3	8	5	3	20
Gorrissen Federspiel	1	3	2	3	6	4	19
independent	1	3	3	7	5		19
Selmer	1	2	4	2	7	2	18
Schjodt	5	1	2	3	3	2	16
BA-HR	1	3	2	3	1	5	15



## Nordic buyout investors

	2013	2014	2015	2016	2017	2018 Q1-Q3	Total volume
EQT Partners	4	6	6	5	2	4	27
Accent Equity Partners	4	4	4	4	4	1	21
Nordic Capital	2	6	2	1	4	2	17
Altor Equity Partners	3	2	1	2	5	4	17
Norvestor Equity	1	3	4	5	2	2	17
FSN Capital	2	2	5	1	3	3	16
Adelis Equity Partners	1	3	2	3	4	3	16
Axcel	4		1	3	2	4	14
IK Investment Partners	1	4	1	5		3	14
Erhvervsinvest Management		2	4	3	3	2	14
Triton Partners	3	2	1	1	3	2	12
Segulah Advisor	2	3	2	3		2	12
Maj Invest Equity	1	2	2	1	5		11
Sponsor Capital	2	1	4		2	2	11
Procuritas		2	1	2	2	4	11
Sentica Partners		3	1	3	2	2	11
Vaaka Partners	1	2	3	3	1	1	11
Polaris Private Equity	1	2	2	2		3	10
CapMan Group		7		2	1		10
Intera Equity Partners		4	1	3		2	10

### Nordic early-stage/growth investors

	2013	2014	2015	2016	2017	2018 Q1-Q3	Total volume
Seed Capital	22	12	14	6	4	4	62
Almi Invest	16	14	18	10	3	1	62
Industrifonden	14	10	10	6	6	2	48
Northzone Ventures	4	13	12	4	6	5	44
Creandum	5	14	8	4	7	5	43
Lifeline Ventures	8	6	11	1	4	2	32
Sunstone Capital	4	10	7	6	3	1	31
Reaktor Ventures	6	10	4	1	2	2	25
Vækstfonden	5	5	4	1	1	5	21
Inventure	2	7	6	3	1	2	21
Finnish National Technology Agency	4	6	5	3	2		20
Investinor	5	6	6				17
Verdane Capital Partners		4	2	2	5	2	15
Balderton Capital	2	2	3	1	5	2	15
Conor Venture Partners	4	3	3	2		3	15

### Nordic financial due diligence providers

	2013	2014	2015	2016	2017	2018 Q1-Q3	Total volume
EY - Transaction Advisory Services	4	18	13	10	4	2	51
PwC	5	3	7	1	5	6	27
KPMG's Private Equity Group	7	3	2	3	5	5	25
Deloitte	5	4	3	5	3		20
ABG Sundal Collier	1			2	1		4
Carnegie Bank	1			1	1	1	4
Danske Markets				1	1	1	3
Jefferies & Co			1		2		3
Access Partners				1		1	2
Rothschild			1	1			2
ACCURA			2				2
RSM Global			1			1	2
Handelsbanken Capital Markets	1	1					2
UB Capital					1	1	2



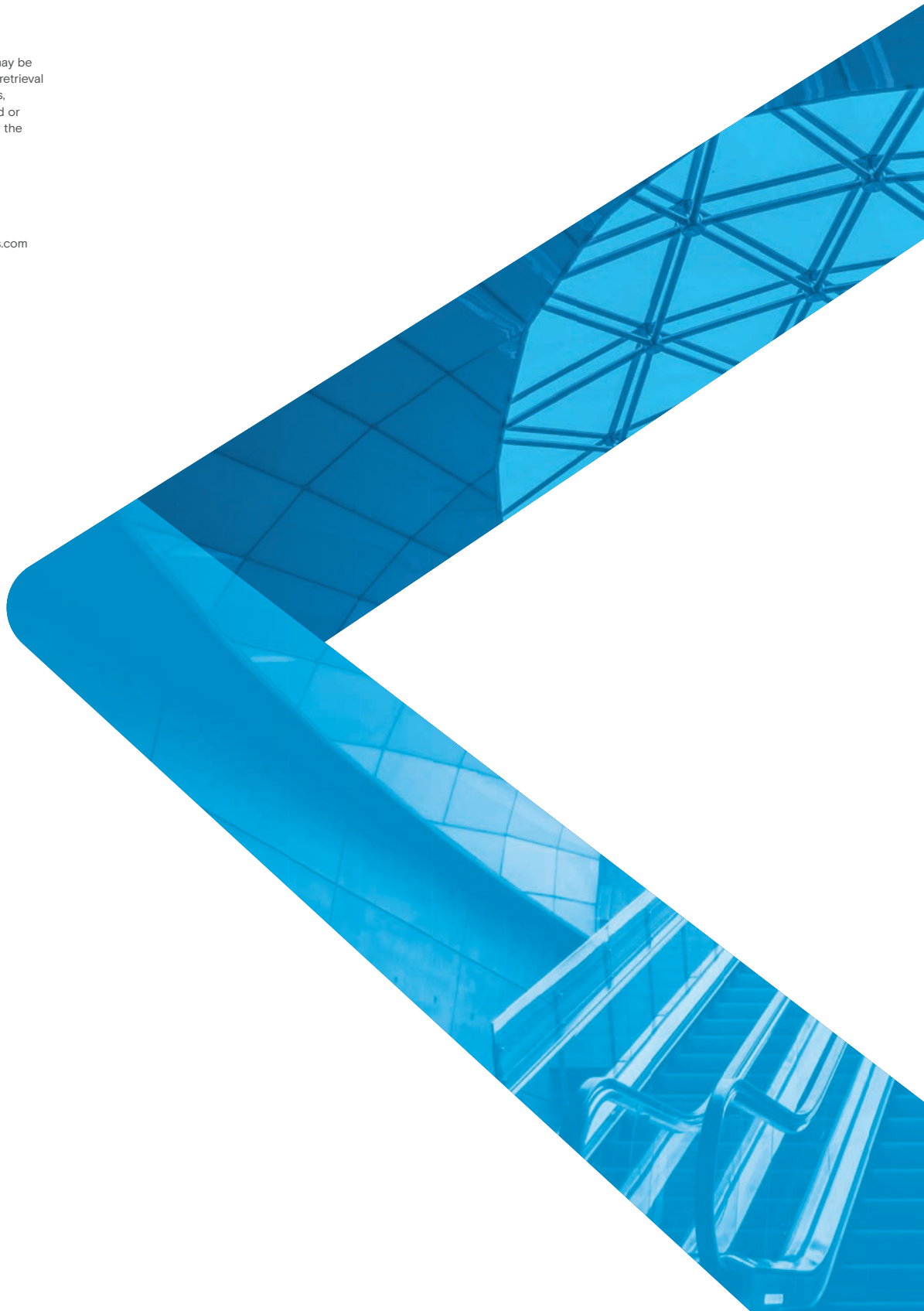
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