



Abnormal or new normal year ended

- the party continues?

Booming Private Equity deal activity and IPO market and the relevance of advisors in the current market environment

After the COVID-19 hit the world in the early 2020, followed by the halt in the PE deal market, the activity recovered rather quickly later in 2020 and 2021 has been a success and a record-breaking year in terms of several indicators. According to the statistics, both the European PE deal volume and value are going to hit annual records in 2021 and the same goes for the exit market as well. The same trend has been visible also in the Nordics. In addition to the vivid deal activity, the IPO market has been extremely hot in Finland and the Nordics. It is interesting to see whether the deal party continues in 2022.

KPMG conducted a survey together with Source Global Research for the EMEIA region PE clients to analyze the key opportunities and challenges in the current market environment and what are seen as the most relevant areas for advisors to be involved in assisting the companies. In this newsletter we will draw some conclusions on the survey.

PE market environment

The year 2022 has already begun, but the deal statistics available are from few months back and still the European private equity deal activity has hit already a new annual record. The same trend is visible in the Nordics similarly. The first three quarters of 2021 saw the **best environment for private equity dealmaking** ever, characterised by strong leveraged lending markets, willing sellers, heightened dry powder, and massive fiscal stimulus.

The fundraising activity has slightly decelerated from the vivid first half of the year and the full year value of funds raised is likely not to reach the record amount in 2020, although still remaining on an impressive level and further adding to the considerable firepower available for deployment in the coming months. Worth mentioning is that the number of funds reaching a final close this year is on track to be the lowest for the past five years emphasizing **the growth of the average fund size**.

Private equity **exit value** in the Nordic region had a remarkable opening three quarters in 2021. According to Pitchbook, through Q3 2021, €51.3 billion worth of exits closed in the region, hitting a new annual high. To put into context the region's exit value performance, the next-highest annual figure was €28.9 billion in 2018. The share of public listings as an exit route has been exceptionally high.

In Finland year 2021 broke the **record in the number of IPO's** with 29 listings. The previous record year was in the 1999 tech boom, when the Helsinki stock exchange received 28 new entrants. Significant portion of these listed companies were PE-backed, such as Adelis Equity Partners' Puuilo, Intera Partners' Sitowise and Sponsor Capital's Orthex, to name a few.

As a result of the favorable deal environment with a heightened amount of dry powder, willing sellers and pent-up exit needs as 2020 saw the lowest exit value since 2012 due to the pandemic-induced volatility, the inevitable consequence has been the **rising deal multiples**. Unquote reported that Nordic's Q3 last twelve months average EV/EBITDA multiple of 14.3x is the highest for any European region on record since 2014 and has increased significantly from the Q4/2020 level of 11.8x.

In the next page, we highlight some conclusions from the PE survey, describing the key opportunities and challenges the private equity companies encounter in this current market environment, and what is expected along the way in the following years in terms of strategic choices, organizational planning and investments inter alia. The responders also shed light on the role of advisors in development of the portfolio companies.

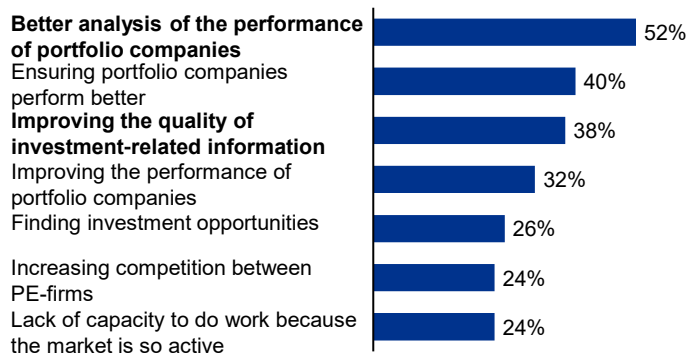


Key findings of the PE survey

Data, technology and digitalization as the common factor

Data, information management, technology and digitalization are seen as both the key opportunities and challenges by the private equity companies. These are all also considered as the strategic priority areas and areas in which the PE companies are already making significant investments in or are planning to do so (graphs 1-3).

Thinking about more broadly the data and data management concept, the topics “Better analysis of the performance of portfolio companies” and “Identifying productivity improvements and cost reduction” can be included as well under the data umbrella.

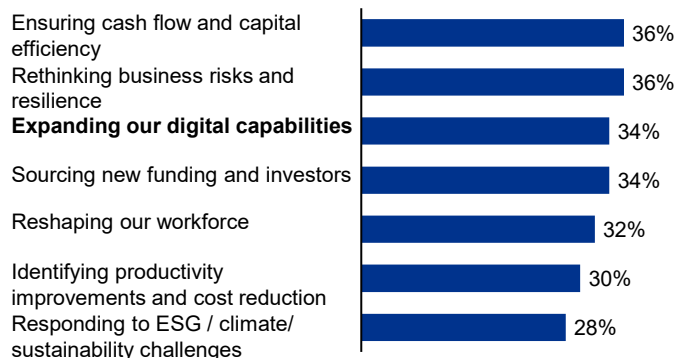


Graph 2. What will be the key opportunities in your sector over the next three years ?

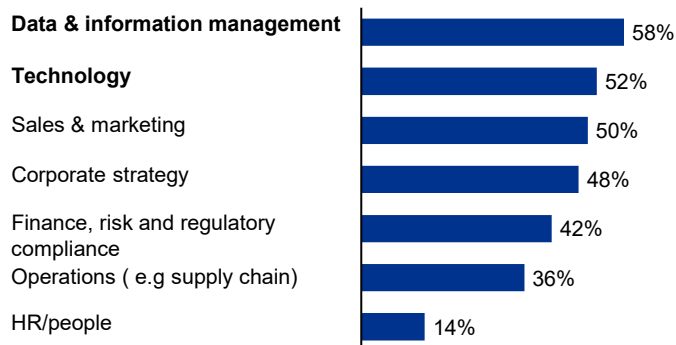
The same areas considered as the strategic priorities as well as the key opportunities and challenges, are also the areas the PE companies think external support is likely to be used in the near future (graph 4). Two out of the top four areas are related to technology and digitalization.

As a professional services provider, KPMG has embedded the technology offering into our propositions, whether it be sourcing of new investment opportunities, IT-system projects to improve the investment-related information quality or pure technological solutions for example digital transformation or cloud implementation.

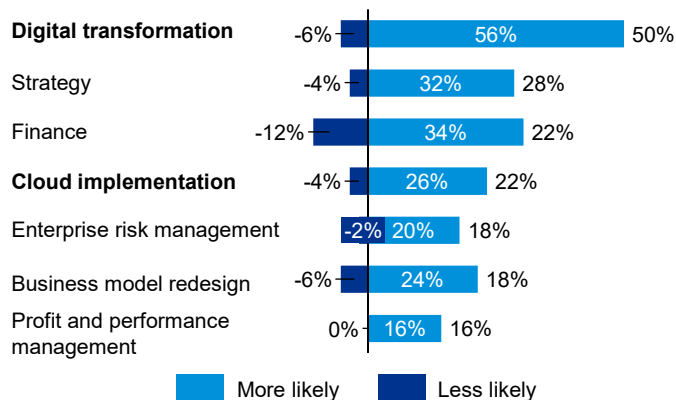
Expectations for the deal environment in 2022 are positive and the market is expected to continue to be very active. The opportunities and challenges are likewise likely to remain the same as in 2021. Should you need assistance in your data & analytics projects, digitalization, sourcing new investment targets or analyzing the current ones, we are ready to provide assistance this year as well.



Graph 1. What would you say are your organization's three most important strategic priorities at the moment?



Graph 3. In which three functional areas does your organization face the greatest challenges?



Graph 4. In which of the following areas are you most / least likely to use external support in the next three years?

Note: The results are based on a quantitative survey conducted by KPMG together with Source Global Research for 50 private equity senior executives in the EMEA region of which the majority, 76%, were located in Europe.



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