



Nordic Private Equity Market Update – Q1/2023

May 2023

KPMG Deal Advisory & Strategy

Deal volume remained relatively low in Q1 /'23, driven by continued declining consumer and business confidence, challenges in the banking sector, high inflation rates, and interest rate hikes



Comments on the overall Nordic PE market outlook

- Deal volume remained stable in all Nordic countries through the first half of '22, but decreased significantly in H2/'22, and continued to slightly decrease in Q1/'23.
- Deal volume is expected to continue at lower levels post Q1/'23, primarily due to the uncertainties in the markets and difficulties accessing financing, especially for larger deals.
- Auctions and larger deals continue to take place less often, in favor of 1:1 processes and add-on transactions.
- However, there is still ample dry powder left in funds, and PEs remain willing to pay solid valuations for good companies, especially in selected sectors.
- Many PEs are seeing consumer and construction sectors as among the most challenging, while the appetite for business services and technology deals is expected to be somewhat stronger.
- PE fundraising slowed down in 2022, and continued to slow down in Q1/'23 compared to the previous quarter. This is mainly due to LPs reconsidering asset allocations.



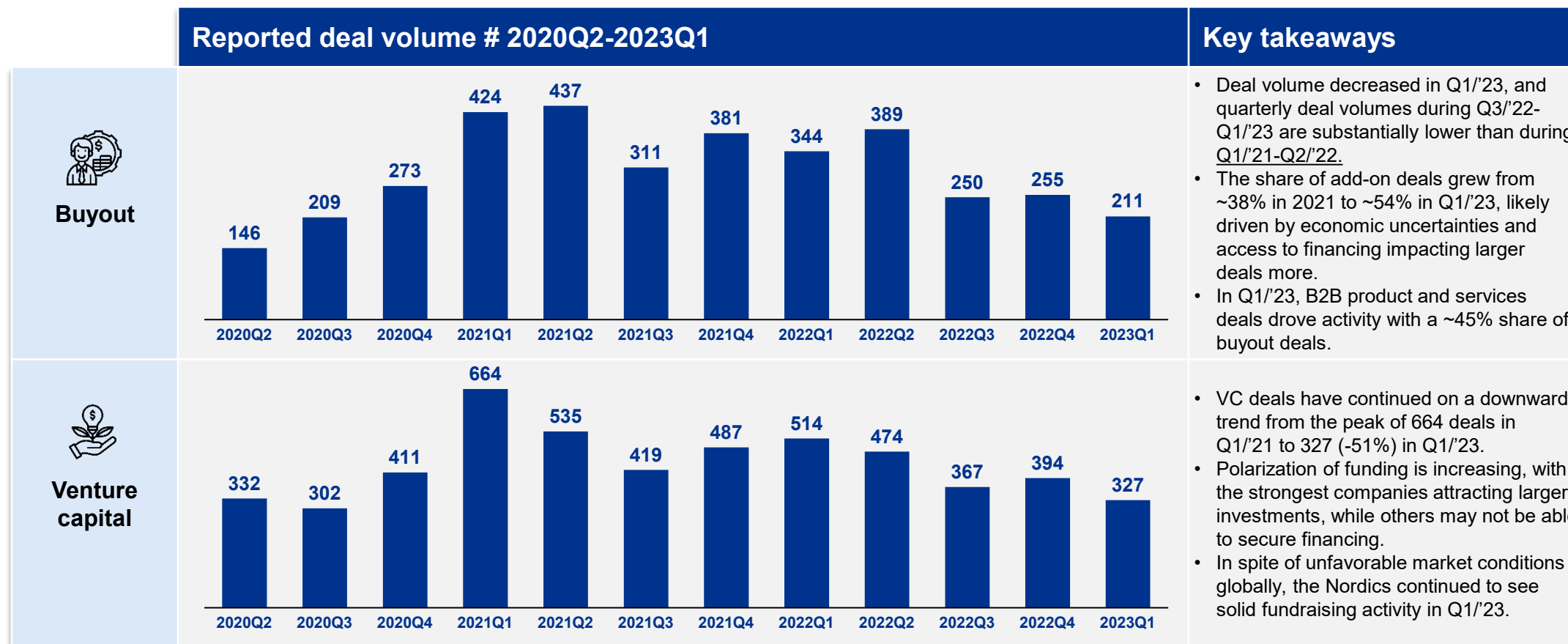
Implications for PEs

- The deal space in general is likely to continue to be under pressure during the remainder of 2023. Key reasons include further declining consumer and business confidence, challenges in the banking sector, high inflation rates, increasing interest rates compared to Q4/'22, war in Ukraine, and decelerating GDP growth compared to 2022.
- Despite the uncertainties in the current macroeconomic environment, PEs are still likely to be willing to make deals.
- However, the lead time to complete deals is expected to remain relatively longer, as alignment of valuation expectations between sellers and buyers continues to be difficult.
- Also, the role of due diligence continues to be even more important, particularly analyses related to understanding the impact of the current economy and resilience through the cycles.
- Capital markets are expected to continue in a downturn. The IPO window is expected to remain closed in the near term. However, many companies have started to preparations to ensure readiness when the window reopens.

Source: OECD, European Central Bank, KPMG analysis.

Reported Nordic buyout and VC deal volumes continued to decline in Q1/'23, but remained at a solid level despite current market conditions

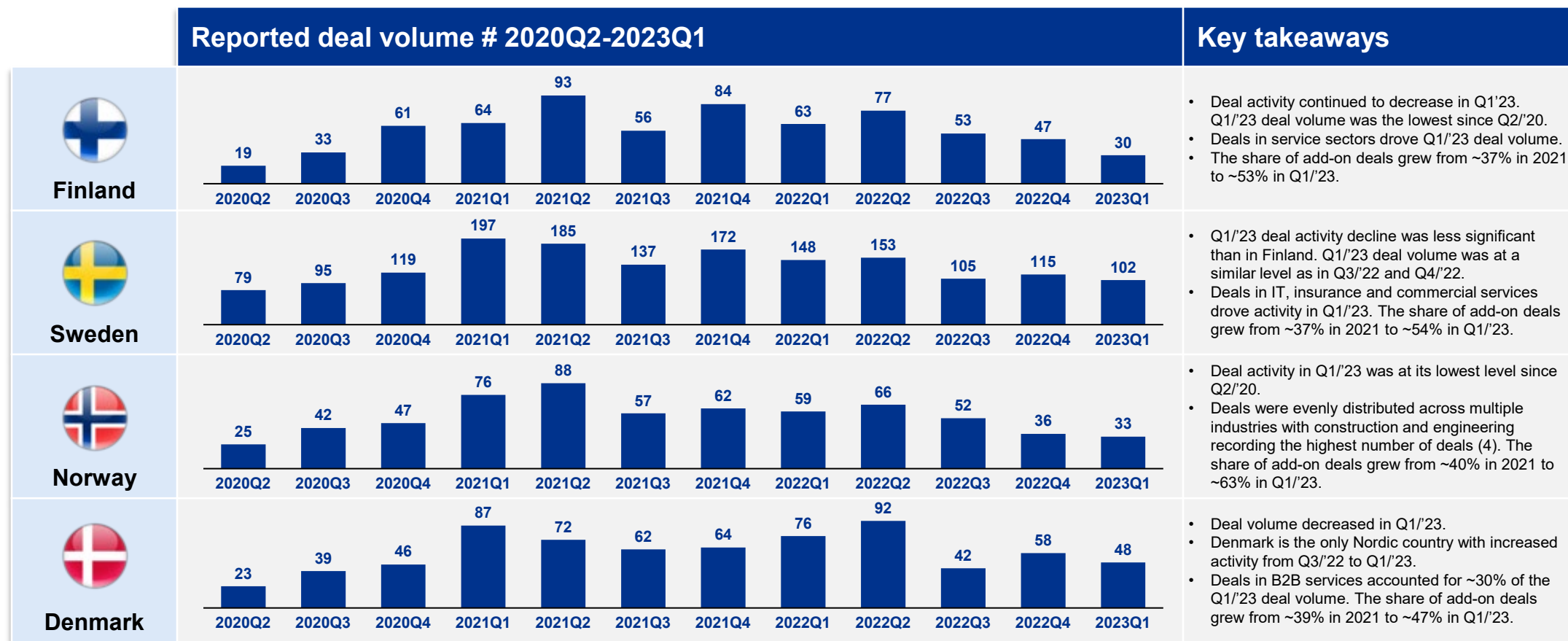
Nordic PE market deal volume by fund type



Note: Finland, Sweden, Denmark and Norway are included in the analysis. Data extracted on April 24, 2023. Historical numbers may change due to updates to data made by Pitchbook.
 Source: PitchBook, KPMG analysis.

Reported buyout deal activity decreased in all Nordic countries in Q1/'23, with Finland experiencing the most substantial activity decline

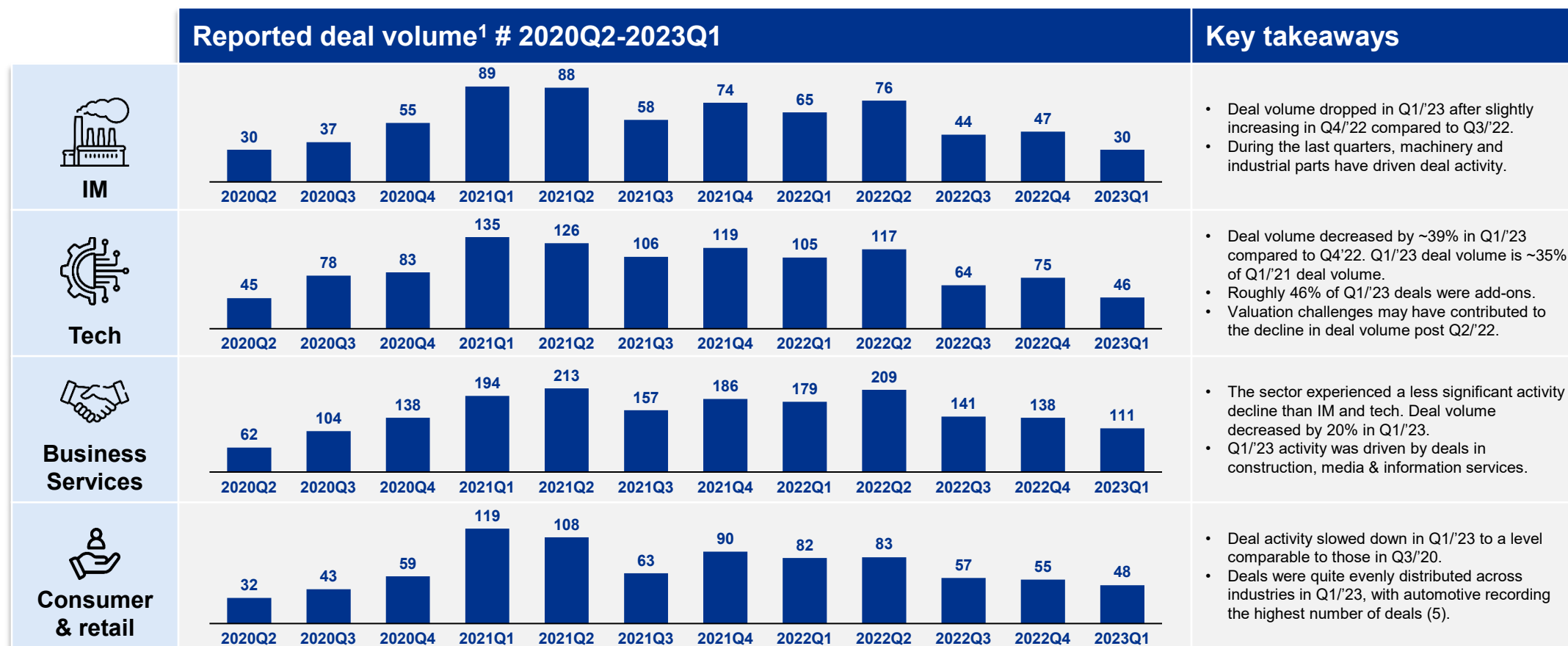
Nordic PE market buyout deal volume by country¹



Note: (1) Based on target company's home country. Data extracted on April 24, 2023. Historical numbers may change due to updates to data made by Pitchbook.
 Source: PitchBook, KPMG analysis.

Reported buyout deal volumes decreased across all key sectors in Q1/'23 – since Q2/'22 tech sector deal volumes have experienced the most significant nominal and proportional decline

Nordic PE market buyout deal volume by key sector



Note: (1) Figures do not reconcile with figures presented on earlier pages as only specific sectors are included in the graphs above.

Data extracted on April 24, 2023. Historical numbers may change due to updates to data made by Pitchbook.

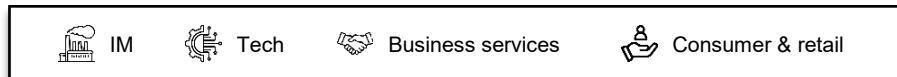
Source: PitchBook, KPMG analysis



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Significant deals have been made across key sectors in the Nordic PE market during Q1/'23

Nordic PE market key recent deal highlights





| Adelis Equity Partners and other investors acquired Hedvig | | Viridor acquired Quantafuel | | Abilia acquired AdderaCare | |
|---|--------|--|--------|--|--------|
| <ul style="list-style-type: none"> Hedvig entered into a definitive agreement to be acquired by Adelis Equity Partners, Nicklas Storakers and Skandinaviska Enskilda Banken. Hedvig is a Stockholm-based property and casualty insurance company. The company is to be acquired through a \$32m LBO. The deal was announced in 3/'23. | | <ul style="list-style-type: none"> Quantafuel entered into a definitive agreement to be acquired by PE-backed Viridor Waste Management. Quantafuel produces synthetic fuels and chemical products from non-recyclable waste. The deal is a €96.7m public-to-private LBO and was announced in 2/'23. | | <ul style="list-style-type: none"> AdderaCare was acquired by PE-backed Abilia, through a public-to-private LBO. AdderaCare provides housing equipment and adaptations, e.g., for people with disabilities. The acquisition was completed in 1/'23 at a value of \$117.9m. | |
| Country | Sector | Country | Sector | Country | Sector |
| | | | | | |
| Equinor Ventures, FSN Capital and Verdane accelerate PolyTech's expansion | | InvestorCorp acquired Eficode | | Vaaka Partners acquired Huutokaupat.com | |
| <ul style="list-style-type: none"> PolyTech entered into a definitive agreement to receive an undisclosed amount of capital from the three investors in 1/'23. As part of the transaction, FSN Capital invested \$135m for a 40% stake in PolyTech. The investment strengthens PolyTech's position as a strategic partner to wind turbine manufacturers. | | <ul style="list-style-type: none"> Eficode is a DevOps consultancy based in Finland. The investment will support Eficode's growth and international expansion plans. Investcorp acquired Eficode through an LBO in 1/'23. The deal value was not disclosed. | | <ul style="list-style-type: none"> Huutokaupat.com was acquired by PE Vaaka Partners through an LBO. Huutokaupat.com is an online auction platform primarily intended for private companies and public sector entities. The parties entered into a deal in 1/'23. The deal value was not disclosed. | |
| Country | Sector | Country | Sector | Country | Sector |
| | | | | | |

Source: PitchBook, KPMG analysis.

Four buyout and VC funds were closed in the Nordics during Q1/'23, with a total value estimated at €2.5bn - dry powder of these funds is estimated at €2.2bn at the end of Q1/'23

New Nordic PE funds raised by type

| New funds raised | |
|---|--|
|  <p>Buyout</p> | <p>Two PEs closed buyout funds in the Nordics during Q1/'23, with a combined value exceeding €2.2bn¹.</p> <ul style="list-style-type: none"> In Q1/'23, Institutional Investment Partners Denmark closed its IIP Private Funds V at a value exceeding €2bn (exact value not disclosed). The fund is a fund-of-funds, focusing on European and American buyout funds. Norwegian fund, Longship Fund III by Longship, was closed at ~€197m during Q1/'23. The fund invests in the healthcare and information technology sectors. No funds were closed in Finland and Sweden. Fundraising was ongoing in seven funds that were opened during Q2/'22 – Q1/'23. Of these seven funds, four were opened during Q1/'23. The total value of these seven funds is estimated to exceed €800m. |
|  <p>Venture capital</p> | <p>Two new VC funds were closed in the Nordics during Q1/'23, with a combined value of €240m¹.</p> <ul style="list-style-type: none"> Two new VC funds were closed in Sweden and Finland. In Q1/'23, Sweden-based Monterro closed “Monterro 5”, its early stage VC fund at €150m. The fund focuses on the software, business product, service and SaaS sectors in the Nordic region (Denmark, Faroe Islands, Finland, Iceland, Norway, Sweden and Greenland). Additionally, Finland-based Innovestor closed its “Life Science & Health Fund” at €90m. The fund focuses on companies in the Baltics and Nordics in life science, medicine, automation, medtech & artificial intelligence and healthcare. Fundraising was ongoing in ten funds that were opened during Q2/'22-Q1/'23. Four of these funds were opened during Q1/'23. |

Note: (1) Only includes funds that were closed during Q1/2023. Funds that remained open for further investment after 31.03.2023 not included in the total.

Data extracted on April 24, 2023. Historical numbers may change due to updates to data made by Pitchbook

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Our experienced Nordic PE team is ready to support you across the deal lifecycle

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