

# Argentum Quarterly Nordic Private Equity Market Report Q1 2013

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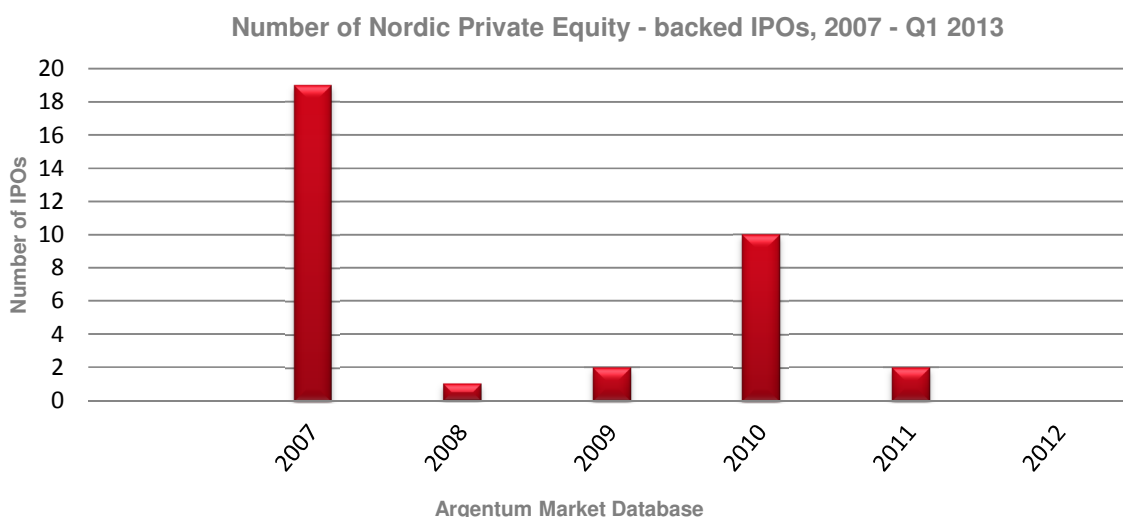
- Private equity funds invested over EUR 900 million less in the Nordic region in Q1 compared to Q4 2012.
- Investment activity held steady, but there was considerable variation within the venture and buyout segments.
- Exit activity also held steady.
- Secondary activity remained strong into the New Year.
- More capital was raised in Q1 2013, than the total amount raised in 2012.
- The Nordic fundraising pipeline<sup>1</sup> shrinks as funds trim targets and postpone fundraising efforts.

## KEY MARKET DEVELOPMENT: IS THE IPO SET TO RETURN?

Many have speculated that the age of the IPO has come to an end, as there has been very little IPO activity since onset of the financial recession in 2008. With the listing of **Asetek** in March, there is perhaps a chance the exit route will reopen in 2012.

IPO activity in the Nordics has been scarce between 2008 and Q1 2013. In 2007, a total of 19 companies, which were backed by private equity funds and headquartered in the Nordics, completed IPOs. During the past five years, only a total of 16 companies have completed IPOs.

However, despite the recent signals that the exit route may reopen, it is unlikely that the IPO will return to its former glory any time soon. Other exits routes have to a large extent replaced the IPO in the period after 2007. In the Nordics, the secondary transaction, in particular, has seen a rise in popularity. In 2012, the share of secondary transactions was at their highest levels yet and accounted for 28 percent of the total number of exits. This was a considerable increase from 2008, when secondary transactions accounted for just 15 percent of total exits.



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<sup>1</sup> Pipe line: indicates the total amount funds seek to raise and is usually the sum of target fund sizes. It is not the equivalent to an estimate.

## Despite two large deals, the amount invested fell in Q1



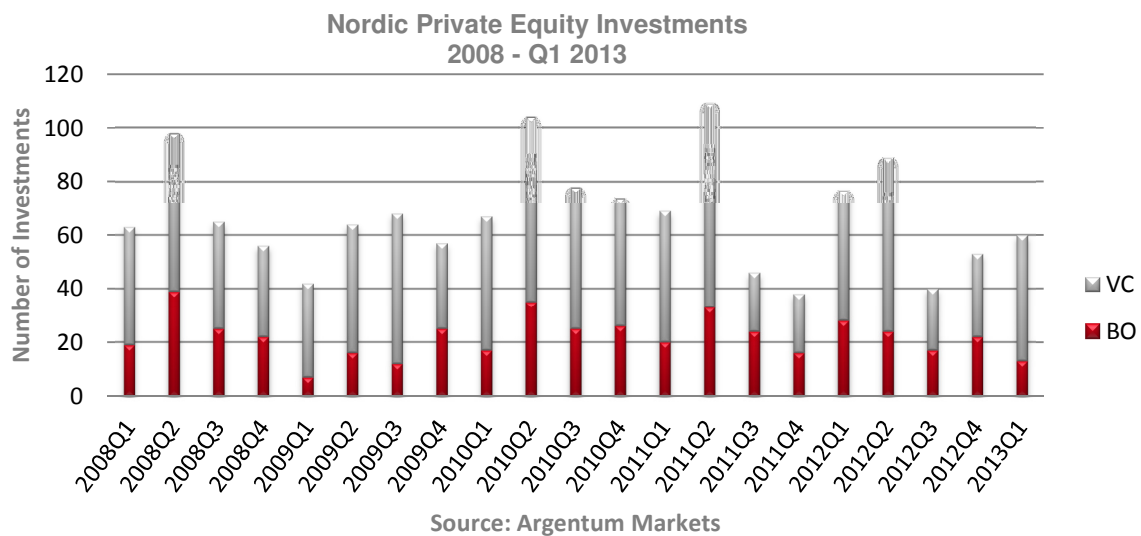
Private equity funds invested approximately EUR 1.4 billion in Nordic companies in Q1, which was 40 percent less (or EUR 900 million) than in Q4 2012 and close to half the amount invested in Q1 2012. In Q4 2012, there was an increase in larger deals in the Nordic region. Unfortunately, the larger deal activity did not continue into Q1 2013 and, consequently, the amount invested declined.

However, there were a few large deals in Q1. The largest deal in Q1 was **Nordic Capital Fund V's** sale of **Permobil**, a global leader in advanced power wheelchairs, to Swedish **Investor**. The deal was reported to be worth EUR 609 million, which was three times the size of the largest investment in Q4 2012 - **EQT Infrastructure II's** EUR 203 million investments in **Tampnet**. Another investment which surpassed the largest deals made in Q4 2012 in terms of size was British private equity fund **Permira Advisor's** investment in **Pharmaq**, a Norwegian developer, manufacturer and marketer of vaccines and therapeutic products for farmed fish. Norwegian investors **Orkla** and **Kverva** sold their shares in the company. The deal was reported to be worth EUR 250 million. Together, the **Permobil** and **Pharmaq** investments accounted for over 60 percent of the total amount invested by private equity funds in the Nordics in Q1.

Whereas the total value of deals fell by 44 percent in the buyout segment, from EUR 2.2 billion to EUR 1.2 billion, the amount invested in the venture segment more than doubled. Venture funds invested nearly EUR 70 million in Q4 2012, but in Q1 they invested over EUR 140 million.

The largest venture investments included **EQT Expansion Capital II's** investment in Norwegian e-learning platform **Its Learning**. EQT acquired shares from venture fund **Viking Ventures**, which held a 10 percent stake in the company, as well as from other investors including Sparebanken Vest and Holbergfondene. The deal was worth EUR 47 million. Other investments included **Fouriertransform's** EUR 22 million investment in **TitanX**, a leading Sweden-based supplier of cooling solutions to the heavy trucks market. The company was bought in a secondary transaction from **EQT Opportunity Fund**.

## Investment activity remained stable, but venture investments nearly double



While the total value of private equity investments decreased in Q1, the number of investments increased by seven compared to Q4 2012. Although the total of 60 investments suggests stable investment activity compared to the previous quarter, a look further back in the dataset, revealed investment volumes were in fact relatively low. In the Nordics, the year's first quarter tends to see a fair bit of activity. With the exception of Q1 2009, investments activity in the first quarter has typically amounted to around 70 transactions.

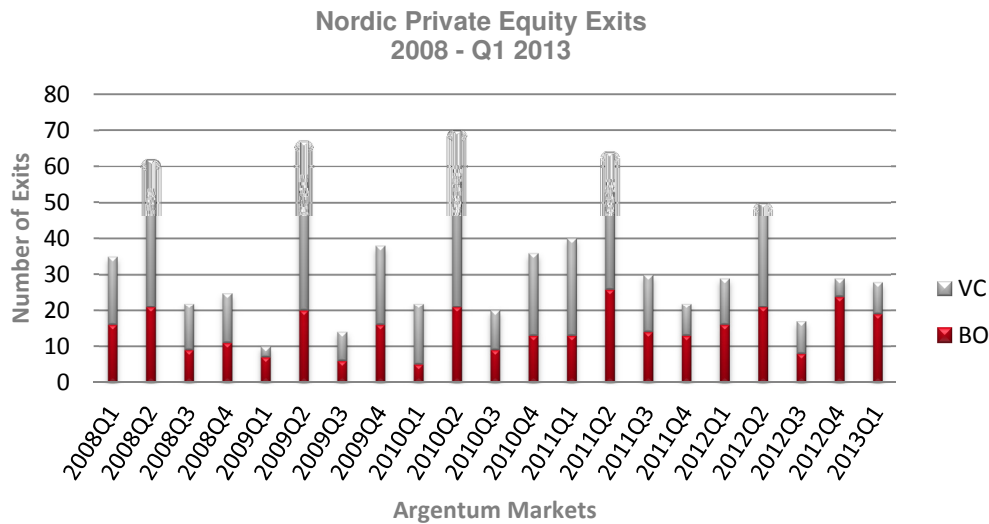
Investment activity in the two segments, however, varied considerably. Buyout investments declined by 41 percent compared to Q4 2012, which meant they dipped below the lowest levels seen in 2012. Buyout funds made 13 investments in total in Q1, compared to 22 in Q4 2012. The lowest buyout activity in 2012 was in Q3, when private equity funds made just 17 investments.

Venture investment activity, on the other hand, increased for the second consecutive quarter. Venture funds made a total of 47 investments in Q1, compared to 31 investments in Q4 2012, which was an increase of 52 percent. However, the boost in venture activity was predominantly a result of two portfolio acquisitions. The largest portfolio acquisition was made by **Rosetta Capital**, a British specialist venture capital firm focused on the life science and medical technology sectors. **Rosetta Capital** acquired a minority share in **Karolinska Development's** holdings in 13 of its 25 portfolio companies, for a total of EUR 26 million.

Furthermore, **Verdane Capital VII** acquired Danish venture fund **Nordic Venture Partners I's** portfolio, which consisted of four companies, **CRF Health**, **Saxotech**, **Octoshape** and **Excitor**.

In total, Argentum-backed funds completed nine investments in the first quarter and accounted for 15 percent of Nordic investment activity.

## Nordic exit volumes also held steady, while venture activity doubled



Private equity funds completed 28 exit transactions in the first quarter of 2013. This was one less than in Q4 2012, which meant the exit market held a steady pace into the New Year. Compared to the same time last year, the result was similar, with one less exit.

Buyout exit activity decreased in Q1, after a trebling in activity from Q3 to Q4 2012. Buyout funds completed 19 exits in Q1, which was approximately 20 percent fewer than in Q4. However, as buyout exits in the year's first quarter have ranged between 5 and 16 from 2008 to 2012, buyout exit activity was off to a good start. It is also worth noting that buyout exits have numbered in their 20s (19 in Q1 2013) in three of the four past quarters, which indicates that exit activity in the buyout segment has been strong over the past year.

The number of venture exits nearly doubled compared to Q4 2012, from five to nine transactions. Yet, venture exit volumes remained low in a historical perspective. At nine exits Q1 was among the quarters with the lowest activity and historically a double digit exit figure per quarter is healthy for the segment. Additionally, it is important to note that exit activity in the venture segment was boosted by **Verdane's** acquisition of **Nordic Venture Partners I'** portfolio, which consisted of four companies (**CRF Health, Saxotech, Octoshape and Excitor**).

Argentum-backed funds completed six exits in Q1 and thus accounted for 22 percent of Nordic exit activity.

### Strong secondary activity

Secondary activity remained strong into the New Year, after reaching a peak in 2012 at 34 transactions. In Q1, there were 11 secondary transactions in the Nordic market and secondary transactions accounted for 39 percent of total exit volumes. As usual, trade sales remained most popular exit type, but only by two transactions in Q1. In total, private equity funds completed 13 trade sales and this exit route accounted for 46 percent of total exits. In addition, there were two write-offs in Q1, one in the venture segment and one in the buyout segment.

The largest exits in Q1 were secondary transactions. **Nordic Capital V** sold **Permobil**, a wheel chair producer to Swedish **Investor**. The deal had an enterprise value of EUR 609 million. In addition, **Herkules Capital** sold oil service company **Beerenberg** to Swedish private equity fund **Segulah IV**.

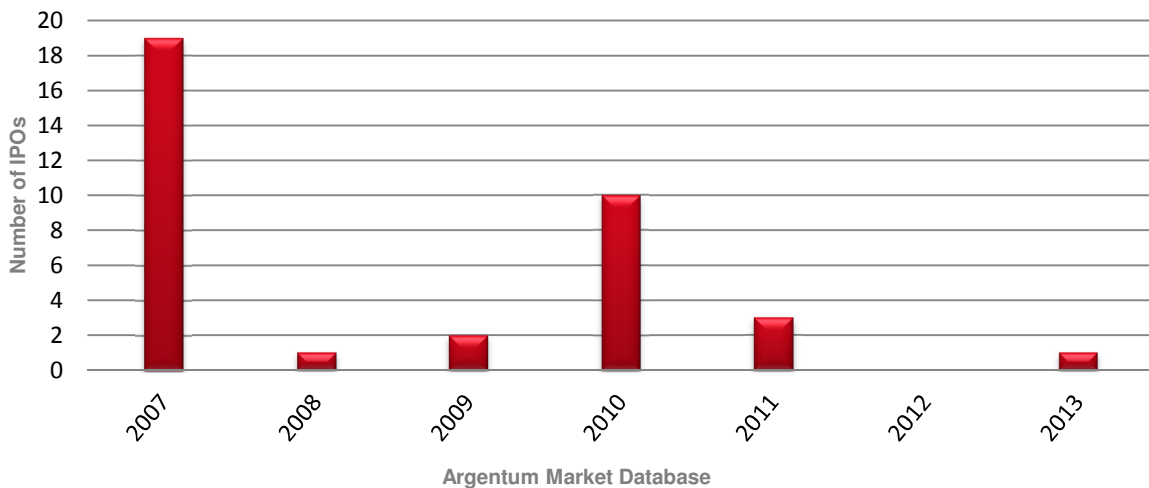
## Number of Nordic Private Equity Exits by Exit Type, Q1 2013



### Return of the IPO?

In March the Nordics saw its first IPO since 2011. **Asetek**, the leading manufacturer and marketer of thermal management solutions used in computers and data center servers, successfully completed its initial public offering on the Oslo Stock Exchange. **Asetek** raised approximately EUR 19 million in gross proceeds, reaching a market capitalization of EUR 72 million. **Asetek** has been part of Norwegian venture capital fund **Northzone Venture** and Danish venture capital fund **Sunstone Capital** respective portfolios since 2005.

## Number of Nordic Private Equity-backed IPOs, 2007 - Q1 2013



Many have speculated that the IPO no longer serves as a viable exit route for private equity funds, as there has been very little IPO activity since the onset of the financial crisis in 2008. In fact, only 16 companies, which were backed by private equity funds and which had a Nordic headquarter, completed an IPO between 2009 and Q1 2013. In 2007, as many as 19

companies completed IPOs internationally. However, only one company managed to complete their listing before the market crashed in the second half of 2008, namely **Global IP Solutions (GIPS)**.

In 2009, there were only two IPOs, **Affitech** (created through the merger of **Affitech** and **Pharmexa**) and **Evolva Biotech** (which merged with listed Swiss company **Arpida**) before 2010 brought a resurgence in IPO activity. In 2010, ten companies completed listings. Jewelry Company **Pandora** became a Nordic stock market sensation when it listed on the NASDAQ OMX Copenhagen Stock Exchange for EUR 3.66 billion in October 2010. Pandora also became the third-largest jewelry company in the world and it was it was the fourth-largest European listing of the year. Similarly impressive was the IPO of **Zealand Pharma**, also on the NASDAQ OMX Copenhagen Stock Exchange. The biopharmaceutical company became the largest med science listing in Europe in 2010 with a market capitalization of EUR 250 million.

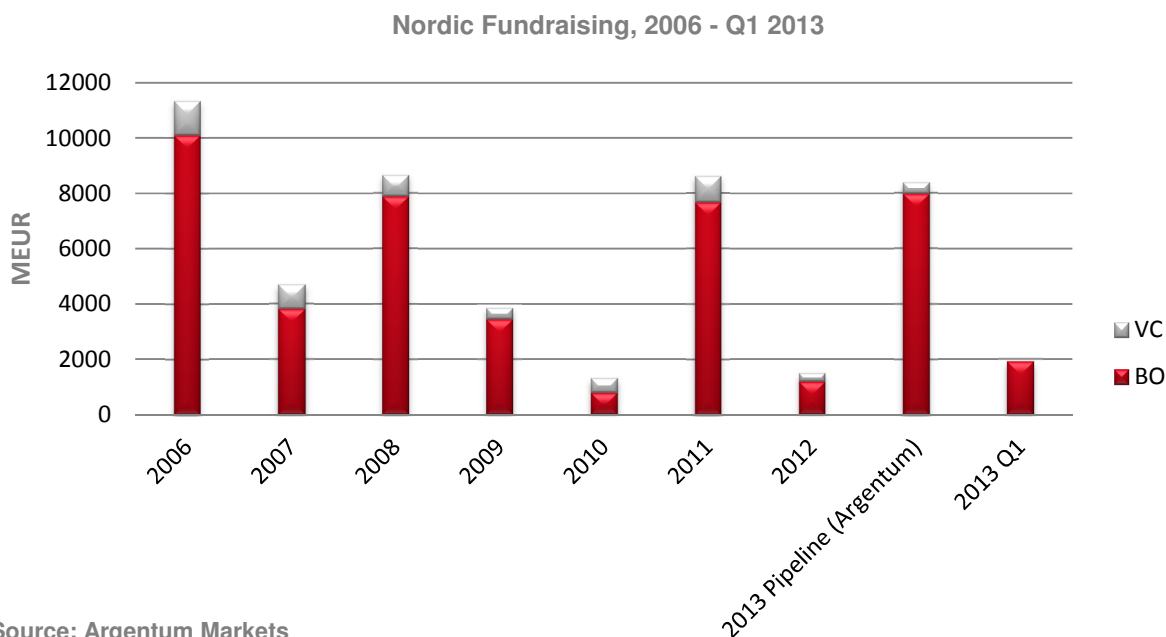
Predictably, with two solid success stories and double digit IPO listings, many thought the IPO looked set to return as a viable exit route for private equity funds, but alas this was not the case. Already by the second half of the year some funds started to postpone their IPO plans due to market uncertainty. Examples include **Cardinal Foods**, which **CapMan** recently sold in a secondary transaction to **CapVest** and **Lantmännen Group**, and **Episerver** which **Northzone Ventures** and **Amadeus** also sold in a secondary deal to **IK Investment Partners**.

In 2011, two companies, **FinnvedenBulten** and **Transmode** were listed on the NASDAQ OMX Stockholm Stock Exchange. **Transmode** was the first technology company to be listed since 2007. However, again other companies decided to postpone their IPOs, such as **ISS** which also cited market uncertainty as the main factor behind their decision.

With the listing of **Asetek** in March, there is perhaps a chance the exit route will reopen in 2012. However, the IPO will in all likelihood not return to its former glory as other exits routes have to a large extent replaced the IPO. Particularly the secondary transaction has risen in popularity in the Nordics. In 2012 secondary transactions accounted for 28 percent of the total number of exits, which was a considerable increase from 2008 when secondary transactions accounted for just 15 percent of total exits.

IPO Date	Company Name	Private Equity Fund	Stock Exchange	MEUR
20.03.2013	Asetek	Northzone Ventures	Oslo Stock Exchange	72,0
27.05.2011	Transmode	Amadeus Capital Partners	NASDAQ OMX Stockholm	160,0
20.05.2011	FinnvedenBulten	Nordic Capital	NASDAQ OMX Stockholm	112,0
15.12.2010	Rignet	Cubera Private Equity	NASDAQ Global Market	126,9
23.11.2010	Zealand Pharma	Sunstone Capital, BankInvest	Copenhagen Stock Exchange NASDAQ OMX Stockholm First North	254,0
22.11.2010	Isconova	InnovationsKapital	NASDAQ OMX Stockholm First North	25,0
05.10.2010	Pandora	Axcel Management	Copenhagen Stock Exchange	3666,0
06.10.2010	CellCura	Maturo Kapital	Oslo Axxess	17,0
21.07.2010	Qliktech International	Industrifonden, Accel Partner	NASDAQ Global Market NASDAQ OMX Stockholm First North	580,3
31.03.2010	ScandBook	Accent Equity Partners	NASDAQ OMX Stockholm First North	20,0
18.06.2010	MQ Retail	Capman Capital Management	NASDAQ OMX Stockholm	115,0
03.06.2010	Chr. Hansen	PAI Partners	Copenhagen Stock Exchange	1670,0
02.06.2010	Byggmax	Altor Equity Partners	NASDAQ OMX Stockholm	291,0
02.07.2009	Affitech	Ferd Capital, Sarsia, Verdane Capital, Teknoinvest	Copenhagen Stock Exchange	3,6
14.12.2009	Evolva Biotech	Sunstone Capital, Seed Capital Denmark	Swiss Stock Exchange	132,3
22.07.2008	Global IP Solutions (GIPS)	Kistefos Group	Oslo Stock Exchange	28,0

## Capital raised in Q1 surpasses 2012 total



Nordic fundraising was off to a good start in 2013. Four funds held closes, and raised a total of EUR 1.88 billion.

The largest, and perhaps most anticipated close, was held by **Nordic Capital**<sup>2</sup>. The fund was the first Nordic large-cap fund to hold a close since **EQT** closed their sixth fund at EUR 4.75 billion back in October 2011. Media has reported that the fund manager raised EUR 1.7 billion in the first close of their eighth fund, **Nordic Capital VIII**. The fund thus exceeded its expected EUR 1.5 billion first-close target. **Nordic Capital** hit the fundraising trail back in April 2012 and it has been reported that the fund aims to hold a final close at approximately EUR 3 billion (revised down from EUR 4.3 billion) by summer<sup>3</sup>.

The second fund to hold a first close in Q1 was Finnish buyout fund **Sentica Partners**, which raised EUR 115 million for their fourth fund **Sentica IV**. The fund will focus on investments in lower mid-market companies in Finland. **Sentica** aims to raise a further EUR 15 million to reach a target close at EUR 130 million.

A further two funds held final closes in Q1. Finnish venture fund **VNT Partners** held the final close of their third fund, **Power Fund III**. They held a first close at EUR 42 million back in 2011 and followed up with a further EUR 30 million in 2012. In Q1, investors added a final EUR 5 million to the fund, which closed at a total of EUR 77 million. In addition, **Maj Invest** (previously known as **LD Invest**) closed their fourth fund at EUR 163 million. They held a first close back in 2011 at EUR 107 million. They closed the fund below the target fund size of EUR 268 million.

<sup>2</sup> As reported by Unquote.

<sup>3</sup> As reported by Realdeals

Quarter	Fund Manager	Fund	Country	Stage	Raised in Close (MEUR)	Close	Final Fund Size
Q1	VNT	Power Fund III	Finland	VC	5	Final	77
Q1	Sentica Partners	Sentica Buyout IV	Finland	BO	115	First	N/A
Q1	Nordic Capital	Nordic Capital VIII	Sweden	BO	1700	First	N/A
Q1	Maj Invest (prev. LD Equity)	Maj Invest Equity 4	Denmark	BO	56	Final	163
	Total amount raised by Nordic funds in 2013				1876		

### Pipeline shrinks to EUR 8.4 billion for 2013

Although the year started with a large pipeline of EUR 9.8 billion, some funds have started to trim their target fund sizes and others have postponed fundraising efforts until 2014. As a result, the pipeline for the Nordic market shrunk during the course of Q1 from EUR 9.8 billion to EUR 8.4 billion. With EUR 1.88 billion raised in the first quarter, Nordic private equity funds have thus manage to close over a fifth of the pipeline, which was predominantly due to the first close of **Nordic Capital VIII**. Nordic large-cap funds account for around 80 percent of the current fundraising pipeline for 2013.

### Argentum Markets & The Argentum Market Database:

- **Argentum Markets** is a division within **Argentum** which monitors the Nordic private equity market and administrates the **Argentum Market Database**. We produce Nordic private equity market analyses, which is used both internally and externally
- Our market analyses are based on the **Argentum Market Database** where we track more than 300 fund managers and over 550 private equity funds, and around 4000 companies which are or have been part of the Nordic private equity market.
- Unlike other datasets, the **Argentum Market Database** tracks all transactions in the Nordic region, which includes the activities of Non-Nordic private equity funds' as well.
- Argentum reports first time investments and final exits in our analyses. Other transactions, such as add-on investments, finance rounds, partial exits, spin outs etc., are recorded in our database, but registered separately. They are available to view in the public version of our Database.
- The **Argentum Market Database** currently comprises of 8500 transactions and is updated daily.
- The official part of the **Argentum Market Database** is available online at [www.argentum.no](http://www.argentum.no). We classify official data as data that is available on fund managers' or portfolio companies' own websites and in the media.