

2018 Swedish Private Equity Activity

Fundraising, Investments, Divestments & Industry Significance

SVCA

Swedish Private Equity &
Venture Capital Association

Fundraising

Fundraising statistics explained

Direct private equity investment funds that primarily focus on investments in Europe are monitored.

Funds raised are recorded in the country of the advisory team that is raising/managing the fund ('industry statistics').

Funds raised are the incremental amount raised during the year.

The funds included in the statistics are: private equity funds making direct private equity investments, mezzanine private equity funds, co-investment funds and rescue/turnaround funds.

The following funds are excluded from the statistics: infrastructure funds, real estate funds, distressed debt funds, primary funds of funds, secondary funds of funds.

Fundraising Glossary

Types of investors:

Corporate investor: Corporations manufacturing products or delivering non-financial services.

Endowment: An investment fund established by a foundation, university or cultural institution providing capital donations for specific needs or to further a company's operating process. They are generally structured so that the principal amount invested remains intact (for perpetuity, for a defined period of time, or until sufficient assets have been accumulated to achieve a designated purpose).

Family office: An entity that provides services to one or more affluent families, including investment management and other services (accounting, tax, financial and legal advice etc.).

Foundations: A non-profit organization through which private wealth is distributed for the public good. It can either donate funds and support other organizations, or provide the sole source of funding for their own charitable activities.

Fund of funds: A private equity fund that primarily takes equity positions in other funds.

Government agencies: Country, regional, governmental and European agencies or institutions for innovation and development.

Other asset manager: A financial institution (other than a bank, endowment, family office, foundation, insurance company or pension fund) managing a pool of capital by investing it across different asset classes with the purpose of generating financial returns. It may include private equity direct funds that occasionally do indirect investments, but excludes fund of funds that are a standalone option.

Pension funds: A pension fund that is regulated under private or public sector law.

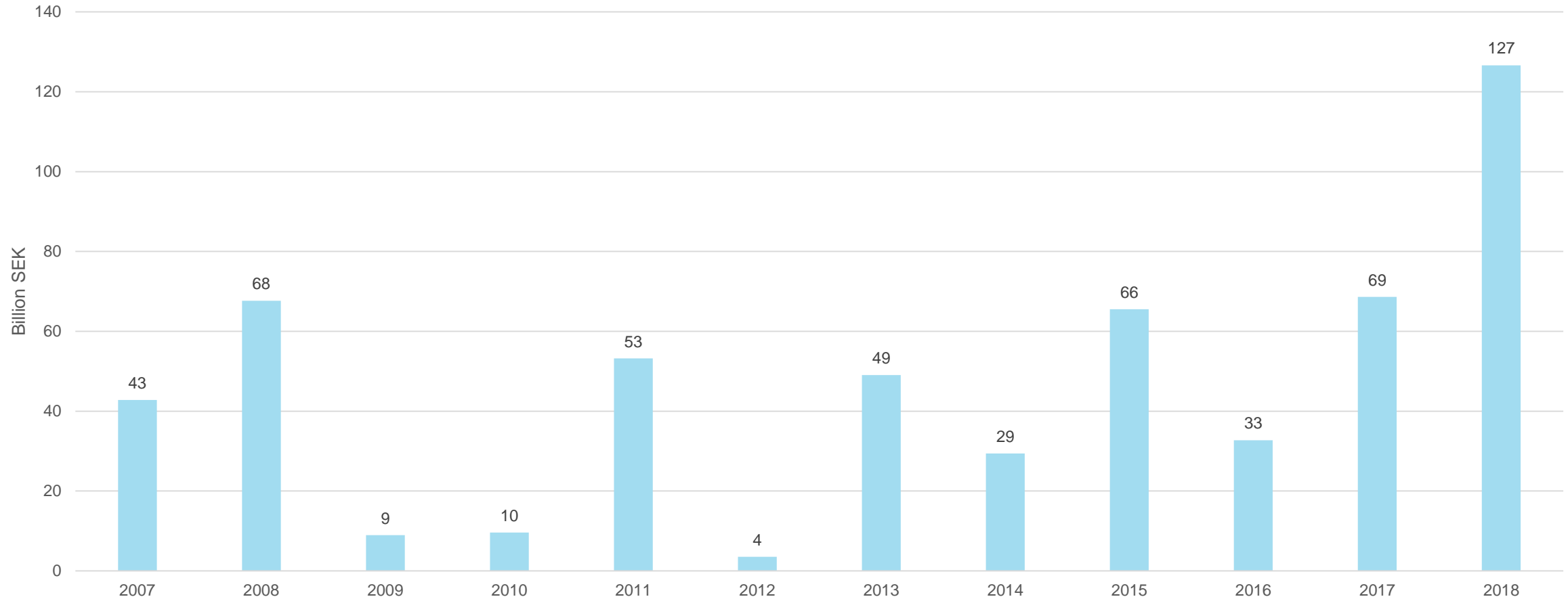
Sovereign wealth funds: State-owned investment funds investing in foreign direct private equity funds to diversify their portfolio.

Fundraising Summary

- 127 billion SEK raised by funds with advisory teams in Sweden during 2018
 - Highest sum raised since the data collection started in 2007
 - An increase of 84% compared with 2017
- Total fundraising since 2007 is 556 billion SEK
- Institutional investors such as pension funds, asset managers and sovereign wealth funds are the largest investors in the funds
- 84% of the funds raised come from investors outside of Sweden
 - The Nordic countries, UK & Ireland and the DACH region are the largest sources of European funds
 - North America is the largest source of non-European funds

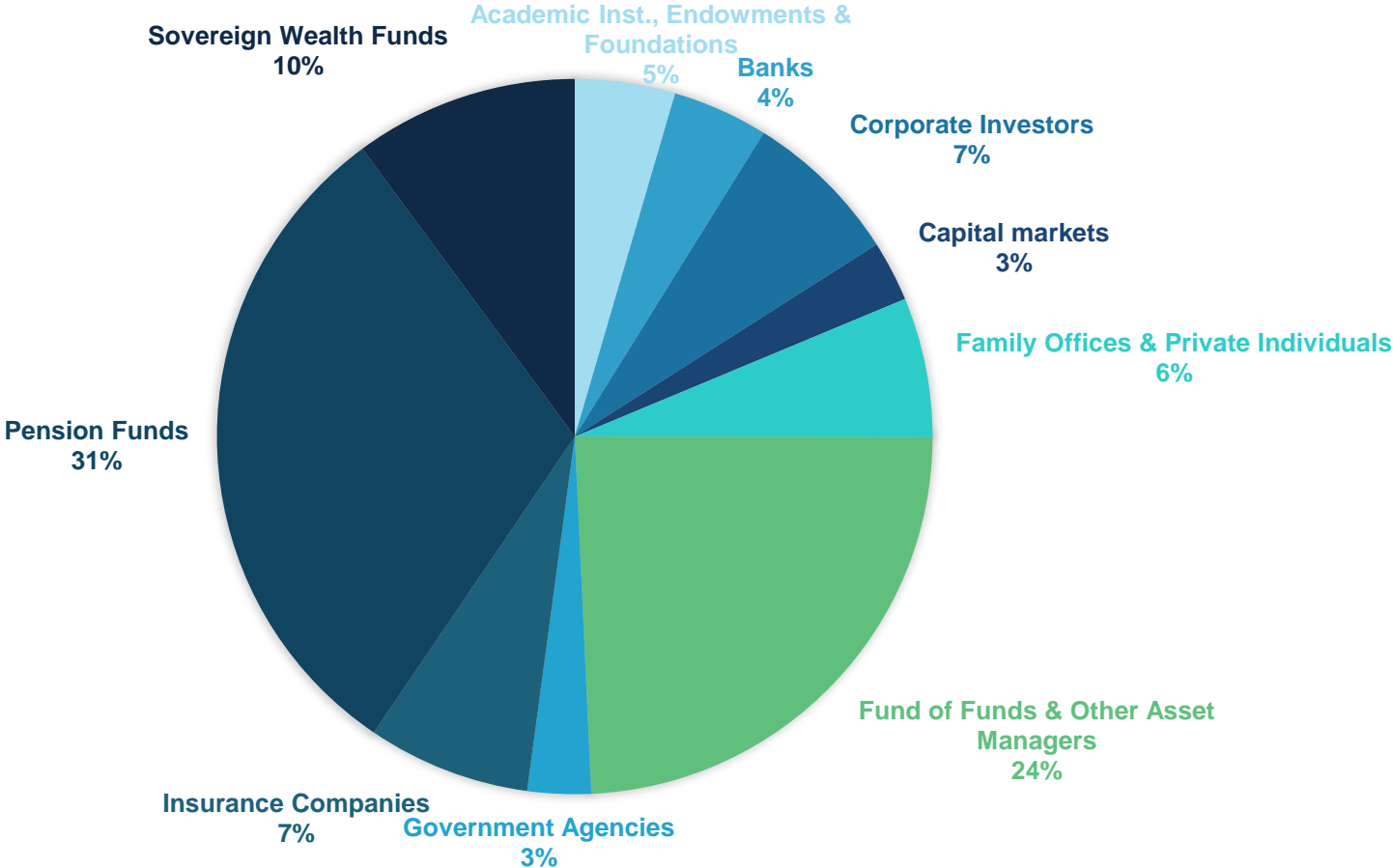
All Private Equity Fundraising

Funds Raised by Year 2007-2018



All Private Equity Fundraising

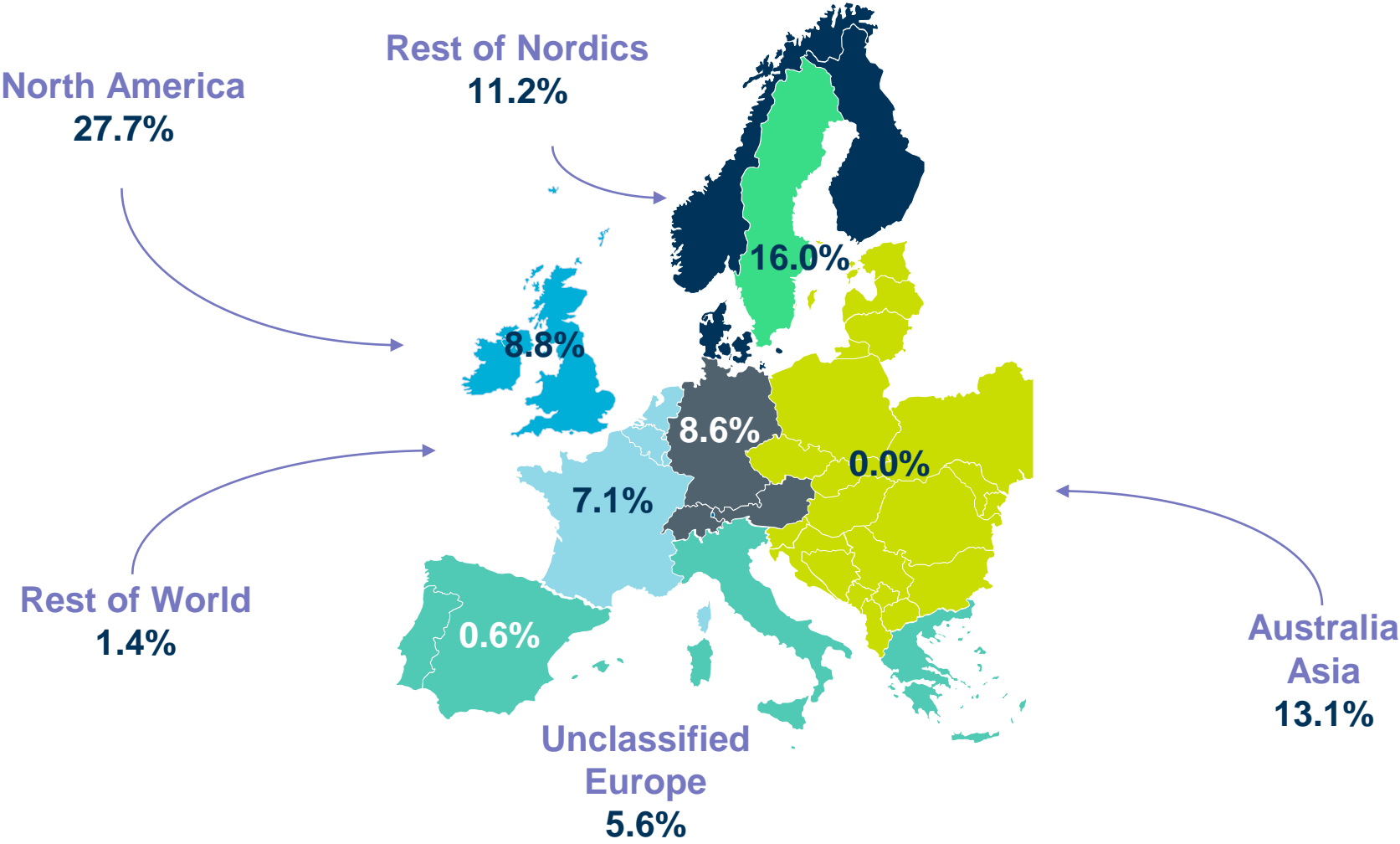
Funds Raised by Investor Type 2007-2018



Source: SVCA / EDC

All Private Equity Fundraising

Funds Raised by Geography 2007-2018



Source: SVCA / EDC

Investments

Investments statistics explained

Market statistics are an aggregation of figures according to the location of the portfolio company. At the Swedish level, this relates to investments in Swedish companies regardless of the location of the private equity firm.

Equity value: The amount of capital invested to acquire shares in an enterprise. The equity value includes equity, quasi-equity, mezzanine, unsecured debt and secured debt provided by the private equity firm.

The funds included in the statistics are: private equity funds making direct private equity investments, mezzanine private equity funds, co-investment funds and rescue/turnaround funds.

The following funds are excluded from the statistics: infrastructure funds, real estate funds, distressed debt funds, primary funds of funds, secondary funds of funds.

Investments Glossary

Venture Capital

- **Seed:** Funding provided before the investee company has started mass production/distribution with the aim to complete research, product definition or product design, also including market tests and creating prototypes. This funding will not be used to start mass production/distribution.
- **Start-up:** Funding provided to companies, once the product or service is fully developed, to start mass production/distribution and to cover initial marketing. Companies may be in the process of being set up or may have been in business for a shorter time, but have not sold their product commercially yet. The destination of the capital would be mostly to cover capital expenditures and initial working capital.
- **Later-stage financing:** Financing provided for an operating company, which may or may not be profitable. Late stage venture tends to be financing into companies already backed by VCs. Typically in C or D rounds.

Growth Capital

A type of private equity investment (often a minority investment) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets to accelerate the growth of the business.

Buyout

Financing provided to acquire a company. It may use a significant amount of borrowed capital to meet the cost of acquisition. Typically by purchasing majority or controlling stakes.

Rescue/Turnaround

Financing made available to an existing business, which has experienced financial distress, with a view to re-establishing prosperity.

Replacement Capital

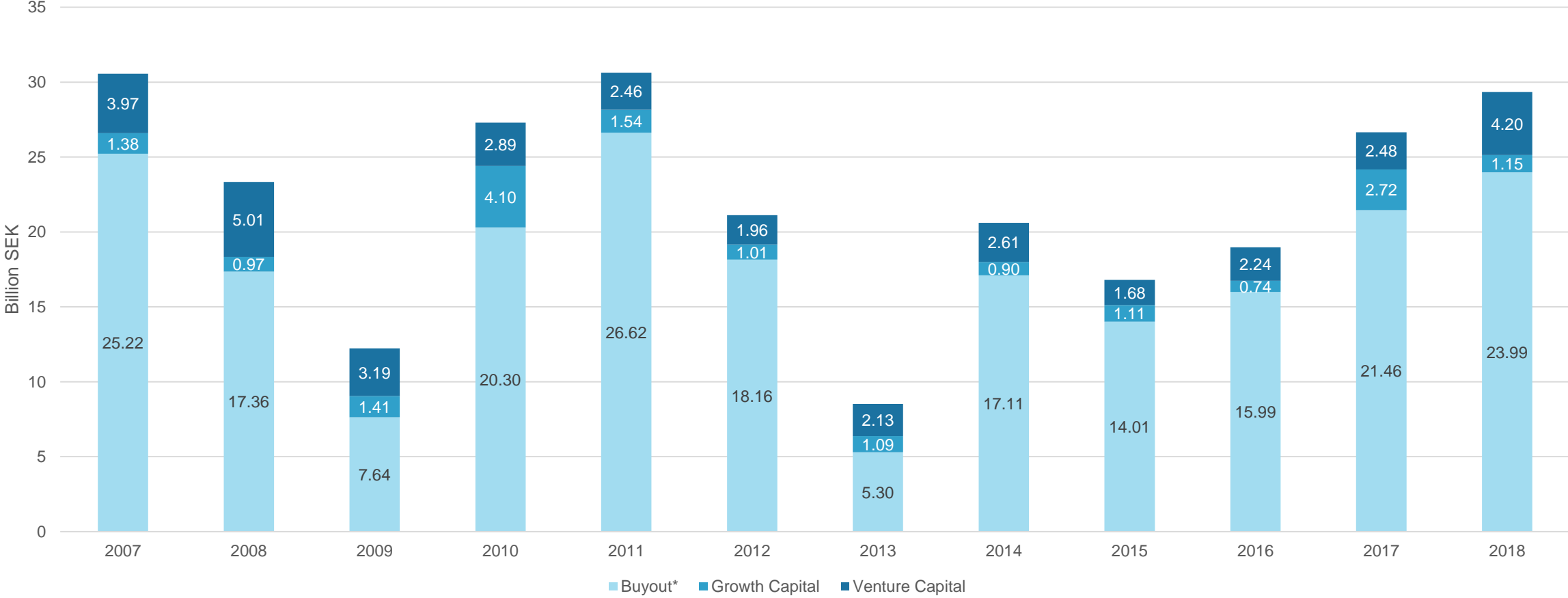
Minority stake purchase from another private equity investment organization or from another shareholder or shareholders.

Investments Summary

- The total equity amount invested by private equity increased by 10% to 29 billion SEK in 2018, while the number of companies backed by private equity increased to 395 in 2018 compared to 342 in 2017
 - Venture capital investments increased 69% year-on-year to 4.2 billion SEK in 2018, 319 companies received venture capital in 2018
 - Growth capital investments decreased 58% year-on-year to 1,15 billion SEK, 24 companies received growth capital in 2018
 - Buyout investments increased 17% year-on-year to 23.99 billion SEK, 52 companies received buyout capital in 2018
- *Business products and services & Consumer goods and services* have historically been the sectors receiving the most buyout investments
- *ICT & Biotech and healthcare* have historically been the sectors receiving the most venture capital investments
- Sweden was the sixth largest private equity market in Europe, comparing investments to GDP in 2018

All Private Equity Investments

Amount by Stage of Investment 2007-2018

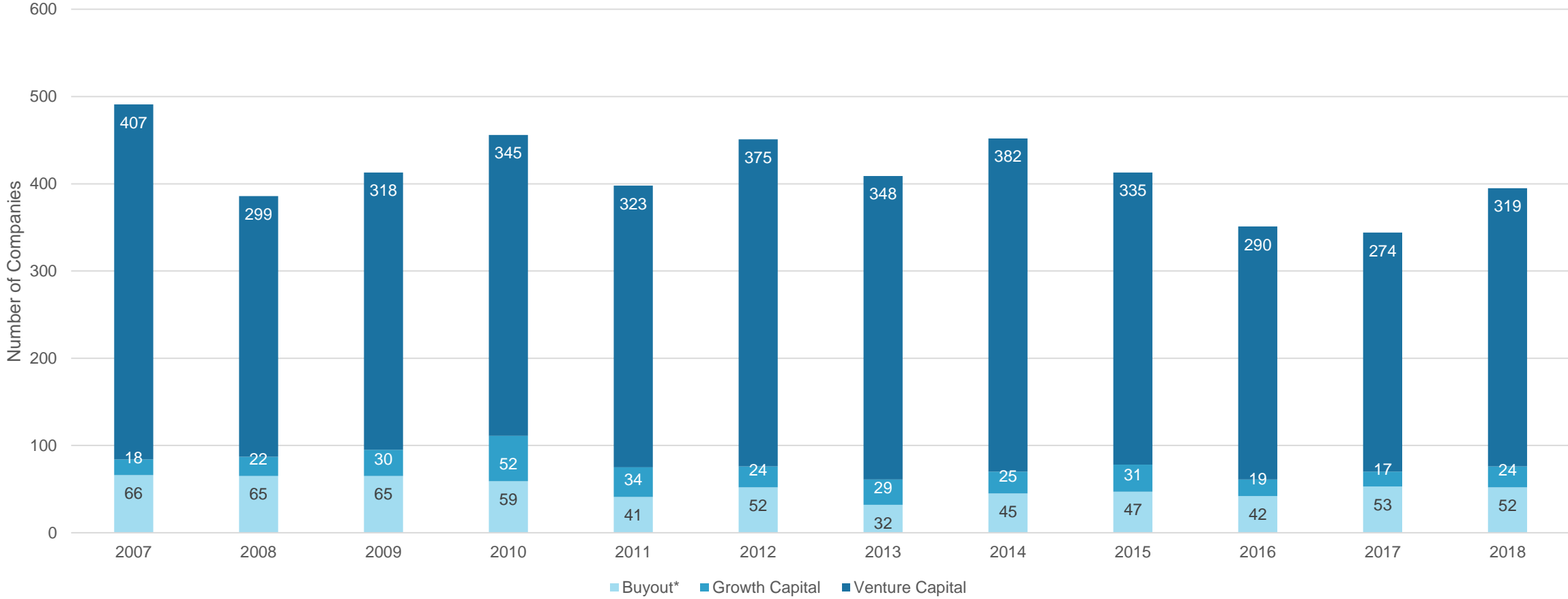


Source: SVCA / EDC

*Buyout includes Rescue/Turnaround and Replacement Capital

All Private Equity Investments

Number of Companies 2007-2018

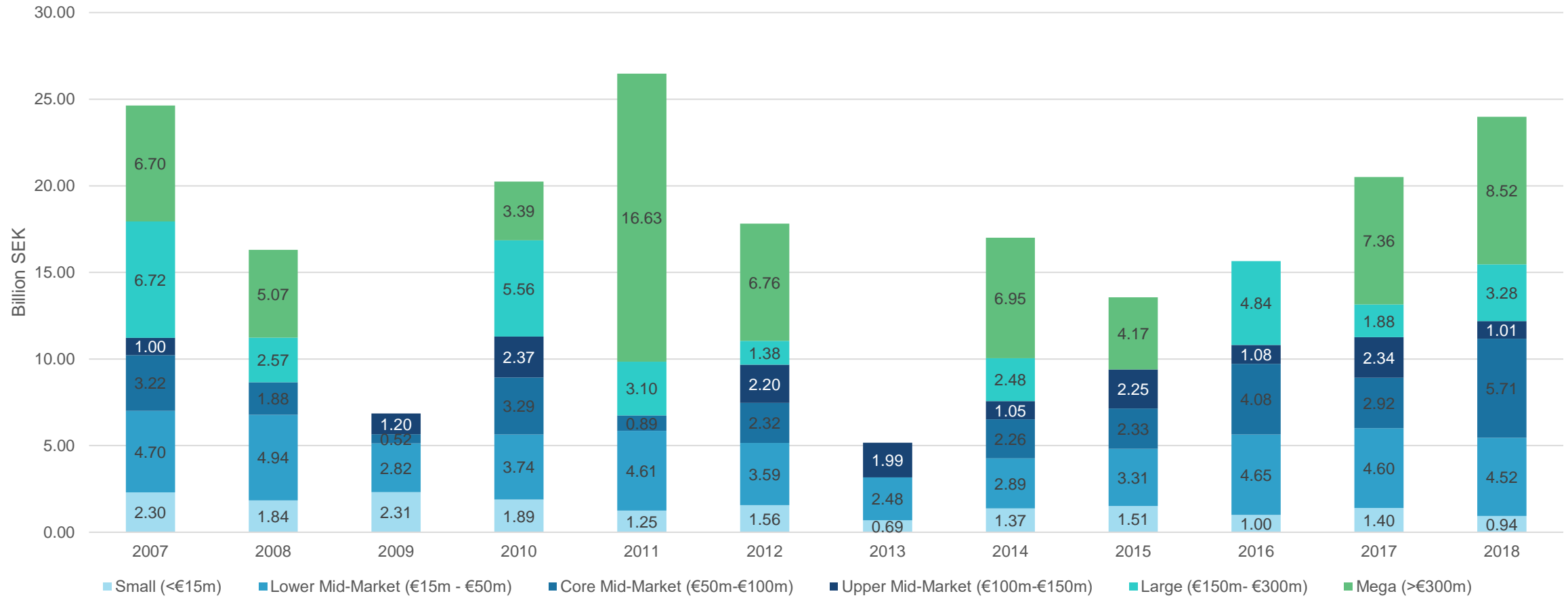


Source: SVCA / EDC

*Buyout includes Rescue/Turnaround and Replacement Capital

Buyout Investments

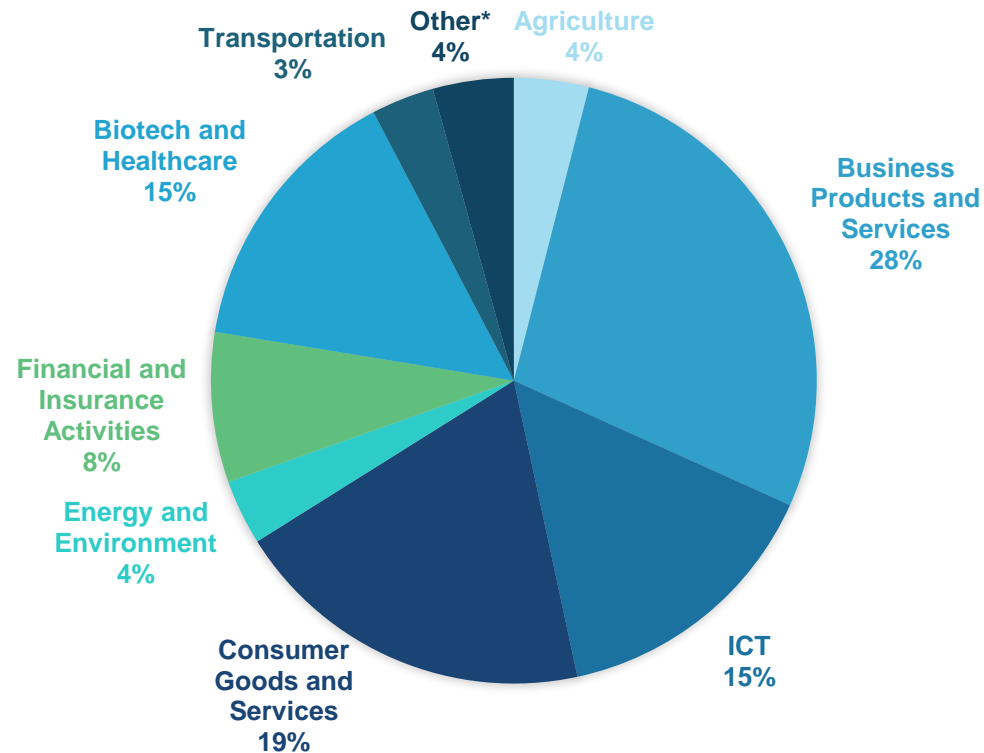
Investments by Equity Bracket 2007-2018



Buyout & Venture Capital Investments

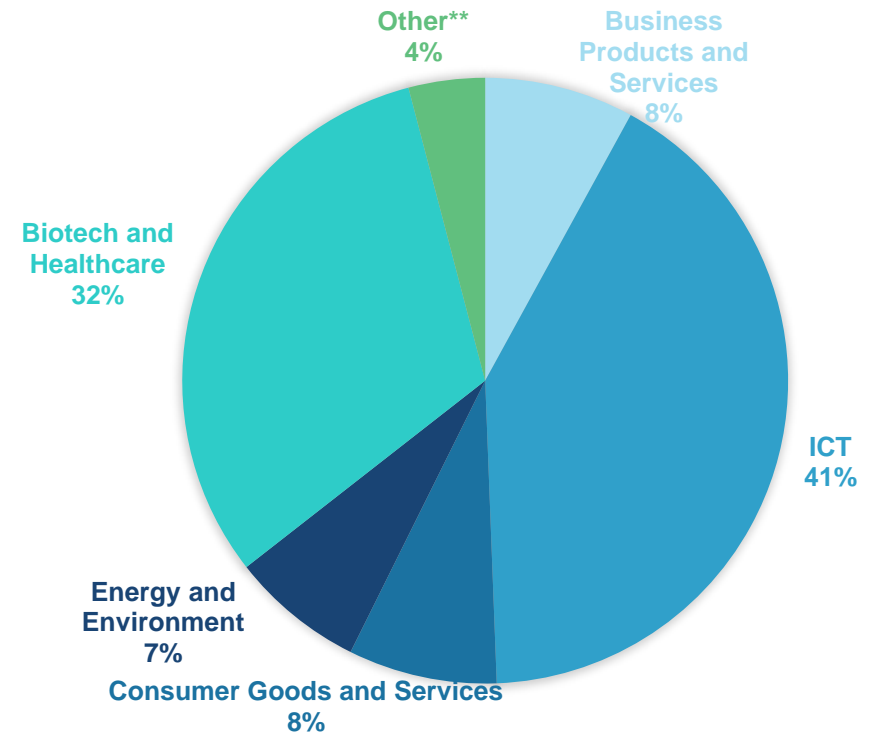
Investments by Sector 2007-2018

Buyout Investments by Sector



*Other also includes Chemicals and Materials & Construction

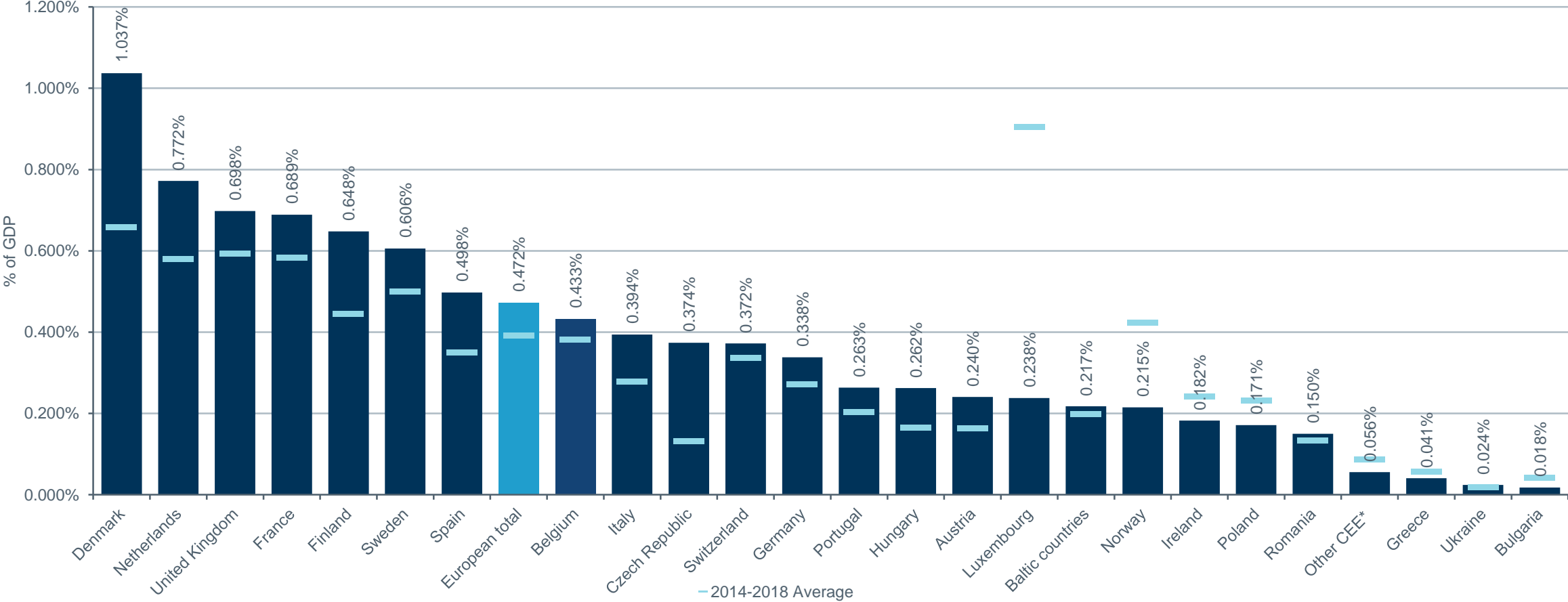
Venture Capital Investments by Sector



**Other also includes Agriculture, Chemicals and Materials, Construction, Financial and Insurance Activities, Real Estate & Transportation

All Private Equity Investments

Investments as % of GDP 2018



**Other CEE consists of Ex-Yugoslavia and Slovakia

Divestments

Divestments statistics explained

Market statistics are an aggregation of figures according to the location of the portfolio company. At the European level, this relates to divestments of European companies regardless of the location of the private equity firm.

The funds included in the statistics are: private equity funds making direct private equity investments, mezzanine private equity funds, co-investment funds and rescue/turnaround funds.

The following funds are excluded from the statistics: infrastructure funds, real estate funds, distressed debt funds, primary funds of funds, secondary funds of funds.

Divestments Glossary

Exit route:

Management/Owner buy-back: The buyer of the company is its management team.

Public offering:

- First divestment following flotation (IPO): The sale or distribution of a private company's shares to the public for the first time by listing the company on the stock exchange.
- Sale of quoted equity post flotation: It includes sale of quoted shares only if connected to a former private equity investment, e.g. sale of quoted shares after a lock-up period.

Repayment of preference shares/loans or mezzanine: If the private equity firm provided loans or bought preference shares in the company at the time of investment, then their repayment according to the amortization schedule represents a decrease of the financial claim of the firm into the company, and hence a divestment.

Sale to another private equity firm: The buyer of the portfolio company is a private equity firm.

Sale to financial institution: A financial institution is an entity that provides financial services for its clients:

- Depository institutions: deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies.
- Contractual institutions: Insurance companies and pension funds.
- Investment institutes other than direct private equity firms.

Trade sale: The sale of a company's shares to industrial investors.

Write-off: The value of the investment is eliminated and the return to investors is zero or negative.

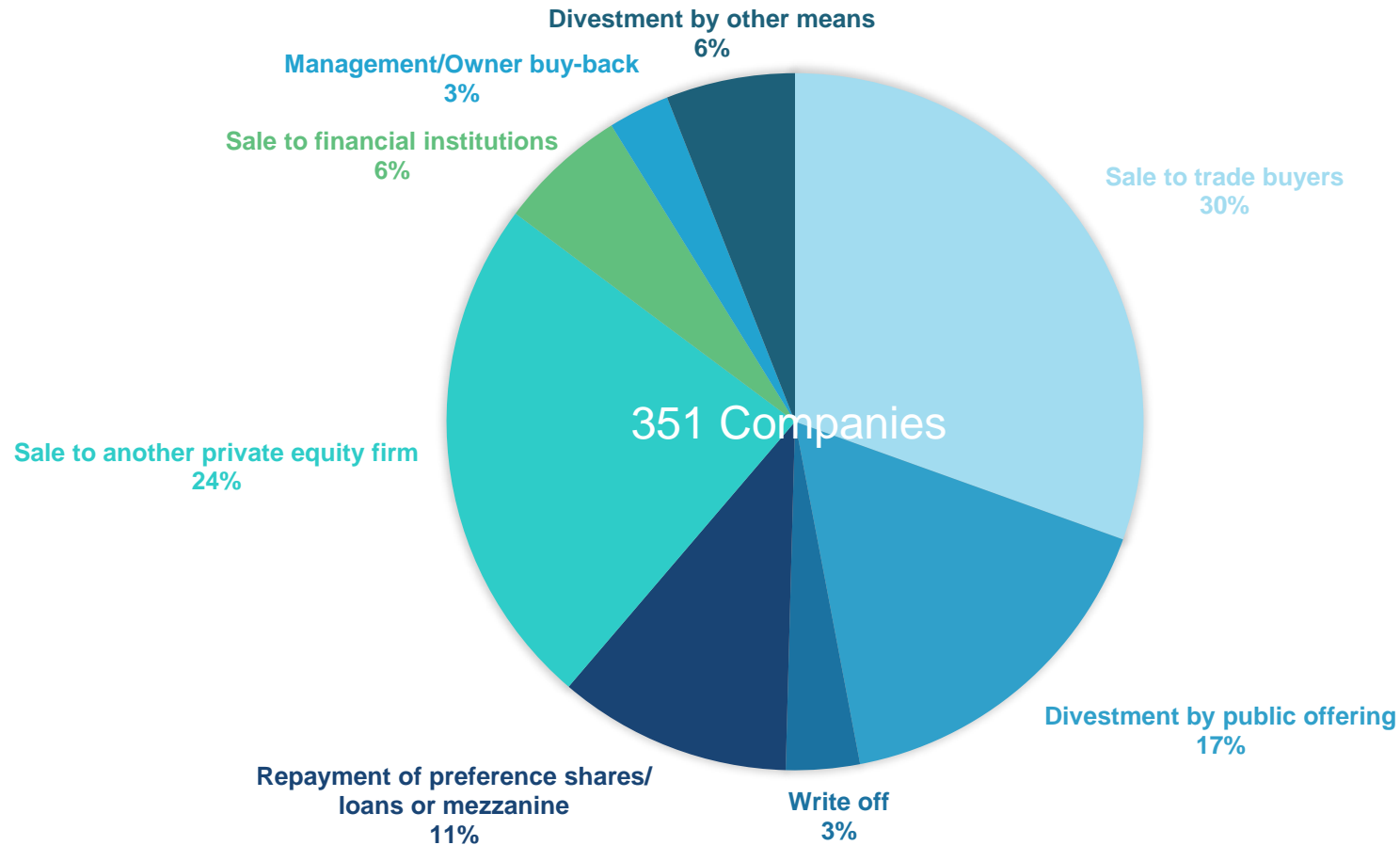
Note: Recapitalizations are not considered in the divestment statistics.

Divestments Summary

- 1005 Swedish companies were exited by private equity funds between 2007 and 2018
- For buyout exits, trade sale to an industrial buyer is the most common exit, followed by sale to another private equity fund and divestment by public offering
- For venture capital, trade sale to an industrial actor is the most common exit, followed by divestments by other means and write-offs

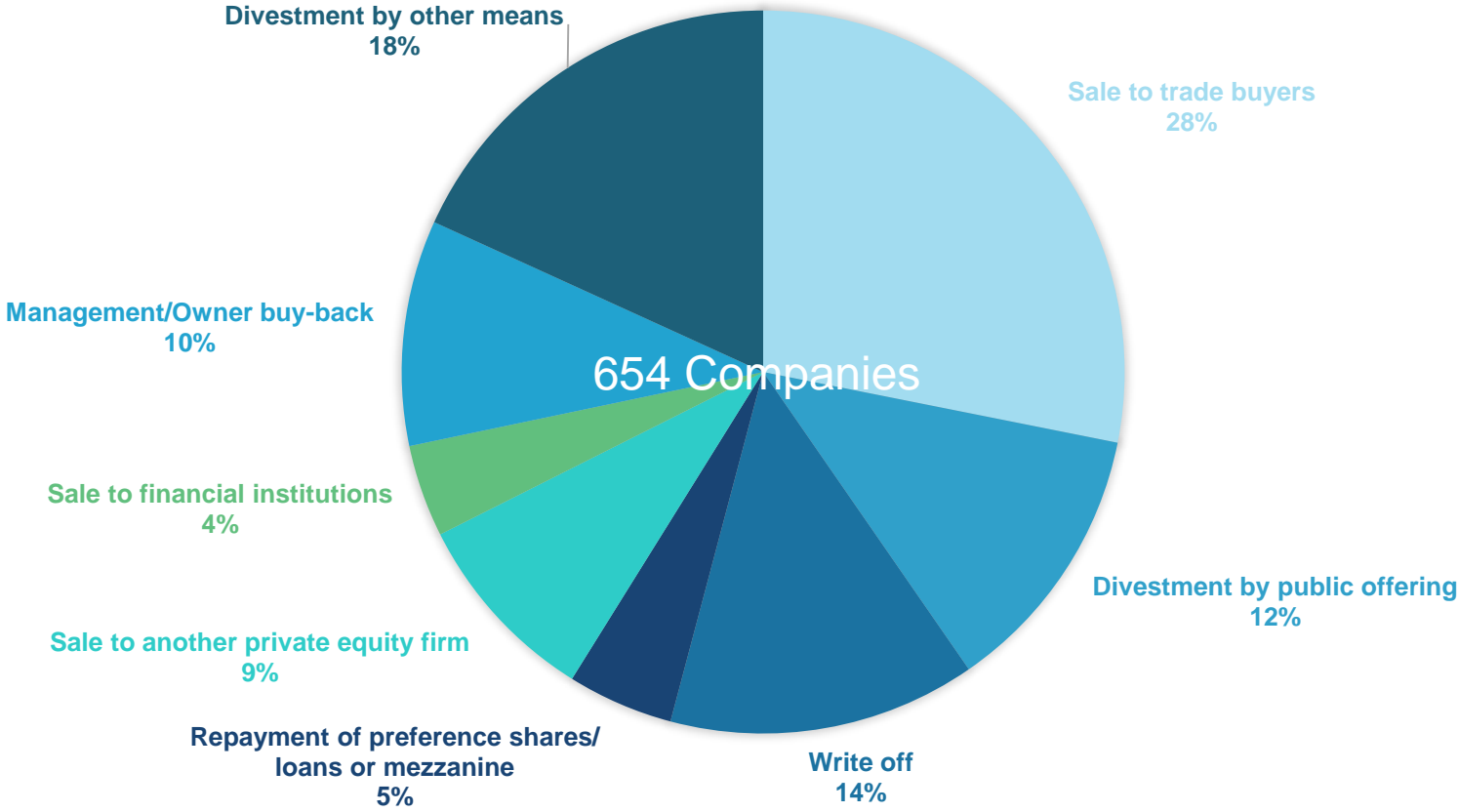
Buyout - Divestments by Exit Route

% of Number of Companies 2007-2018



Venture Capital - Divestments by Exit Route

% of Number of Companies 2007-2018



Source: SVCA / EDC

Private Equity and the Swedish Economy

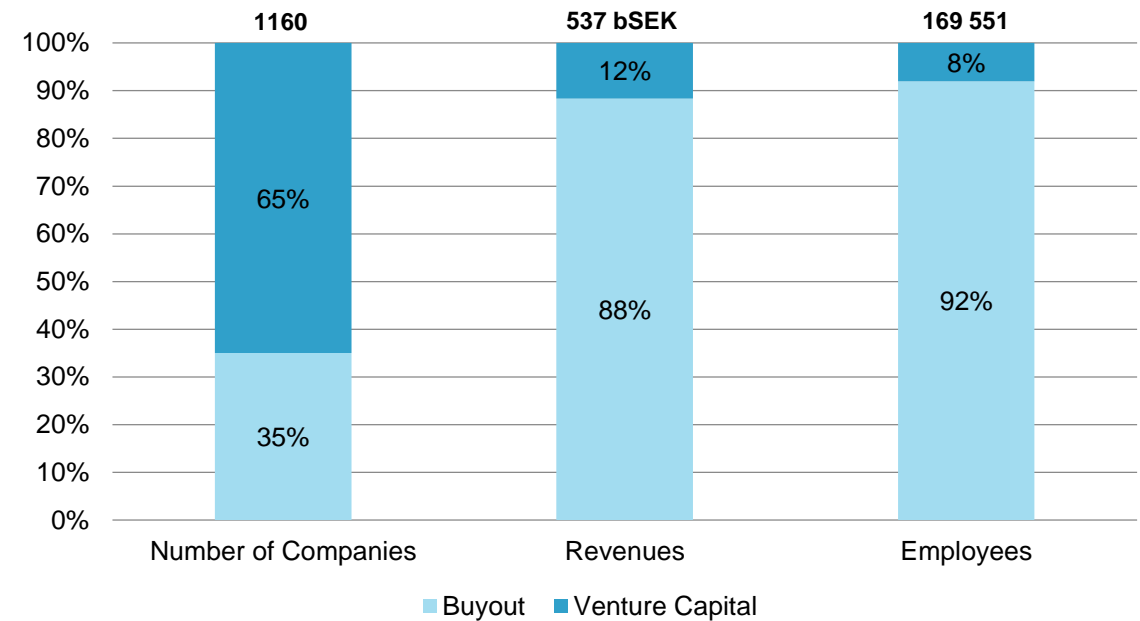
Significance statistics explained

Statistics on portfolio companies are an aggregation of the latest available public data, presented for the year 2017 and compared with data from 2013. All Swedish portfolio companies are included, regardless of the location of the private equity firm.

The funds included in the statistics are: private equity funds making direct private equity investments within buyout and venture capital.

Private Equity Represents a Substantial Part of the Swedish Economy

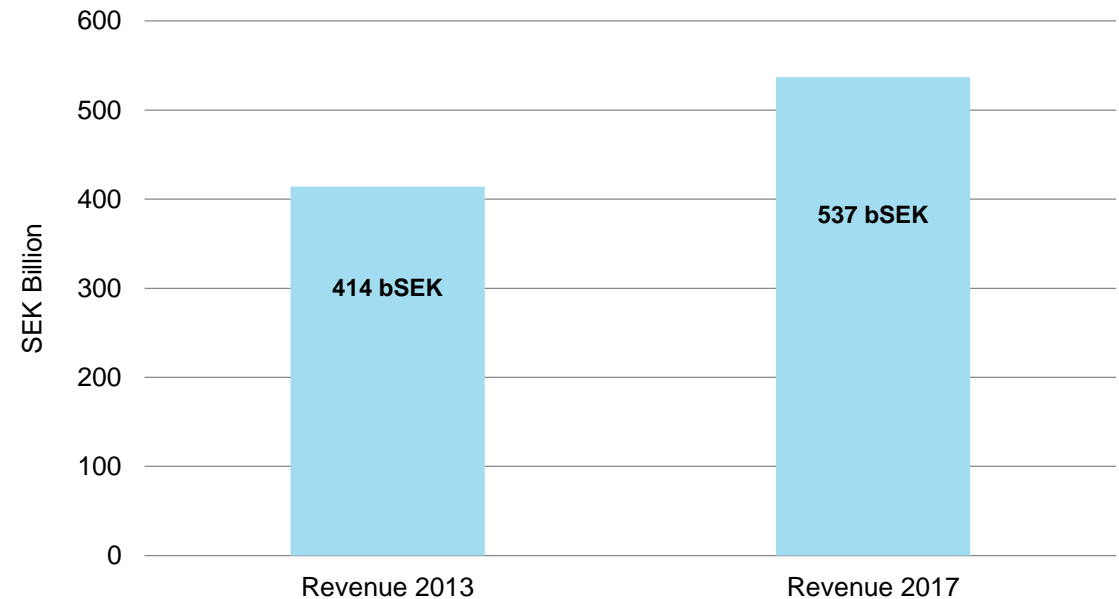
- Global revenues within Swedish portfolio companies amounted to 537 billion SEK in 2017
- Swedish portfolio companies employed 169,551 individuals in 2017, which is comparable to about 3.38% of the active workforce in Sweden that year
- Buyout portfolio companies made up 35% of the total number of portfolio companies, representing about 88% of the revenues and 92% of the employed individuals in 2017



	Number of Companies	%	Revenues 2017	%	Employees 2017	%
Total	1,160	100	537	100	169,551	100
Buyout	406	35	475	88	155,964	92
Venture	754	65	62	12	13,578	8

Global Revenues of Private Equity-Backed Swedish Portfolio Companies

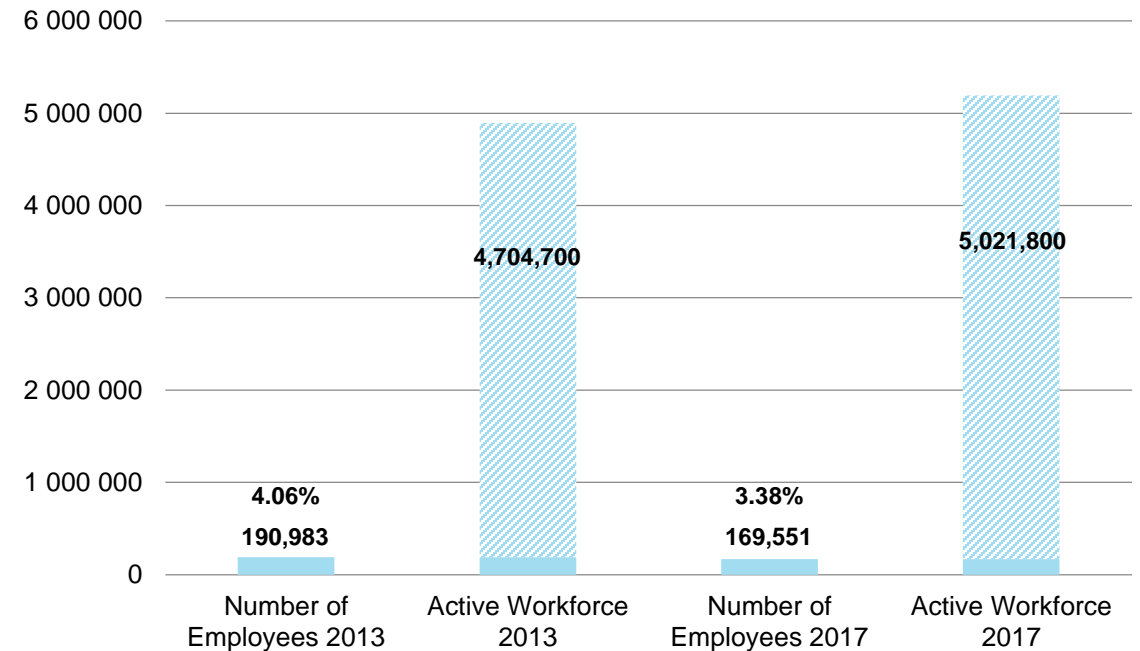
- Global revenues grew by about 29.7% between 2013 and 2017, equivalent to an increase of 123 billion SEK
- Total number of Swedish portfolio companies increased by seven between 2013 and 2017
- The number of venture capital portfolio companies increased by about 2.3% between 2013 and 2017, equivalent to an increase of 17 companies
- Venture capital portfolio companies represented nearly 12% of total global revenues in 2017, while representing about 9.5% in 2013



	Number of Companies 2013	Revenues 2013	Number of Companies 2017	Revenues 2017
Total	1,153	414	1,160	537
Buyout	416	375	406	475
Venture	737	39	754	62

Number of Employees in Private Equity-Backed Swedish Portfolio Companies

- Swedish portfolio companies employed 169,551 individuals in 2017, equivalent to about 3.38% of the Swedish active workforce that year
- Both the relative and absolute number of employees decreased between 2013 and 2017, mainly due to divestments of some labor-intensive portfolio companies
- Buyout portfolio companies accounted for most of the employed individuals in 2017 (92%). However, the number attributable to venture capital did increase both in relative and absolute terms between 2013 and 2017



	Employees 2013	%	Employees 2017	%
Total	190,983	100	169,551	100
Buyout	179,026	94	155,964	92
Venture	11,957	6	13,578	8

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