

2020 Swedish Private Equity Activity

Fundraising, Investments, Divestments, Industry Significance,
and Performance

SVCA

Swedish Private Equity &
Venture Capital Association

Fundraising

Fundraising statistics explained

Funds monitored are direct private equity funds that primarily focus on investments in Europe.

Funds raised are recorded in the country where the advisory team raises/manages the fund.

Funds raised are the incremental amount of capital raised during the year.

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

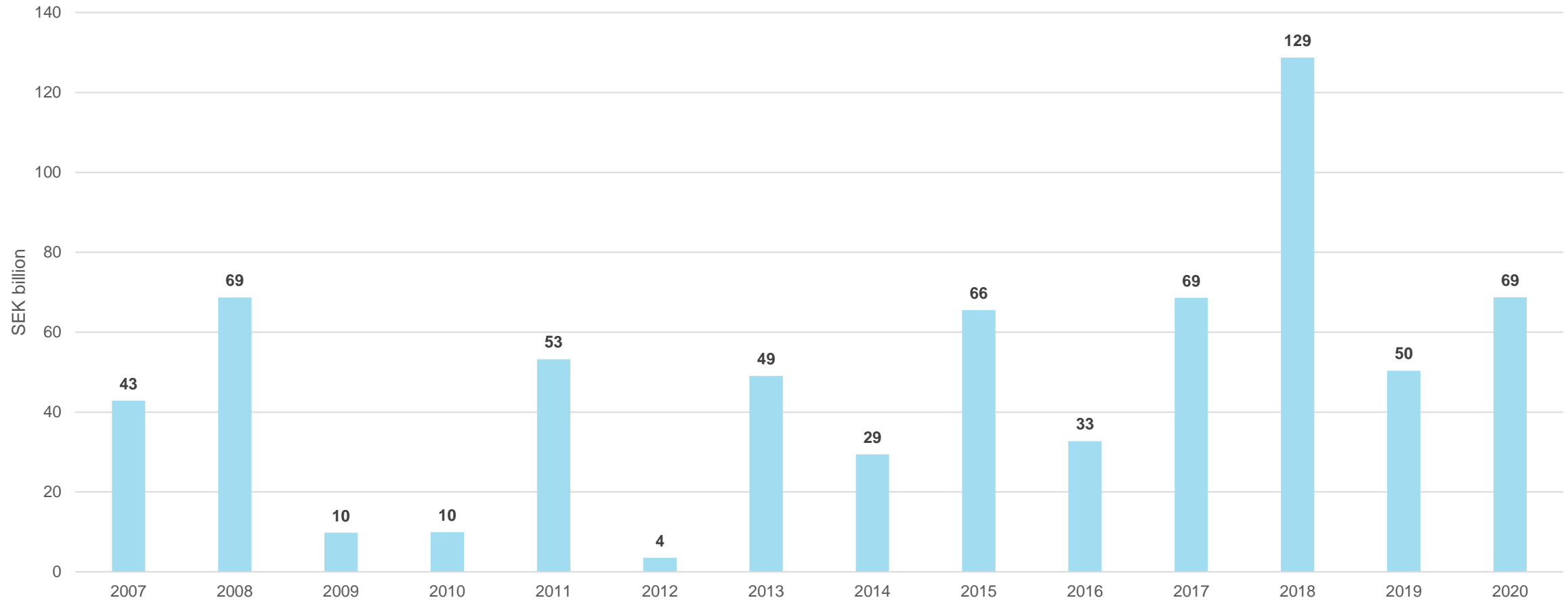
The following funds are excluded from the statistics: infrastructure funds, real estate funds, distressed debt funds, primary funds of funds, and secondary funds of funds.

Fundraising Summary

- SEK 69 billion was raised by funds with advisory teams in Sweden during 2020. An increase of 36% compared to 2019 as buyout fundraising increased.
- Total fundraising since 2007 amounts to SEK 681 billion.
- Institutional investors are the largest investors in the funds. Pension funds (31%), asset managers (23%), sovereign wealth funds (10%).
- 84% of the funds raised originate from investors outside of Sweden:
 - The Nordics (9.9%), UK and Ireland (8.9%), and the DACH region (7.9%) are the largest sources of European funds.
 - North America (28.8%) is the largest source of non-European funds, followed by Australia and Asia (14.1%).

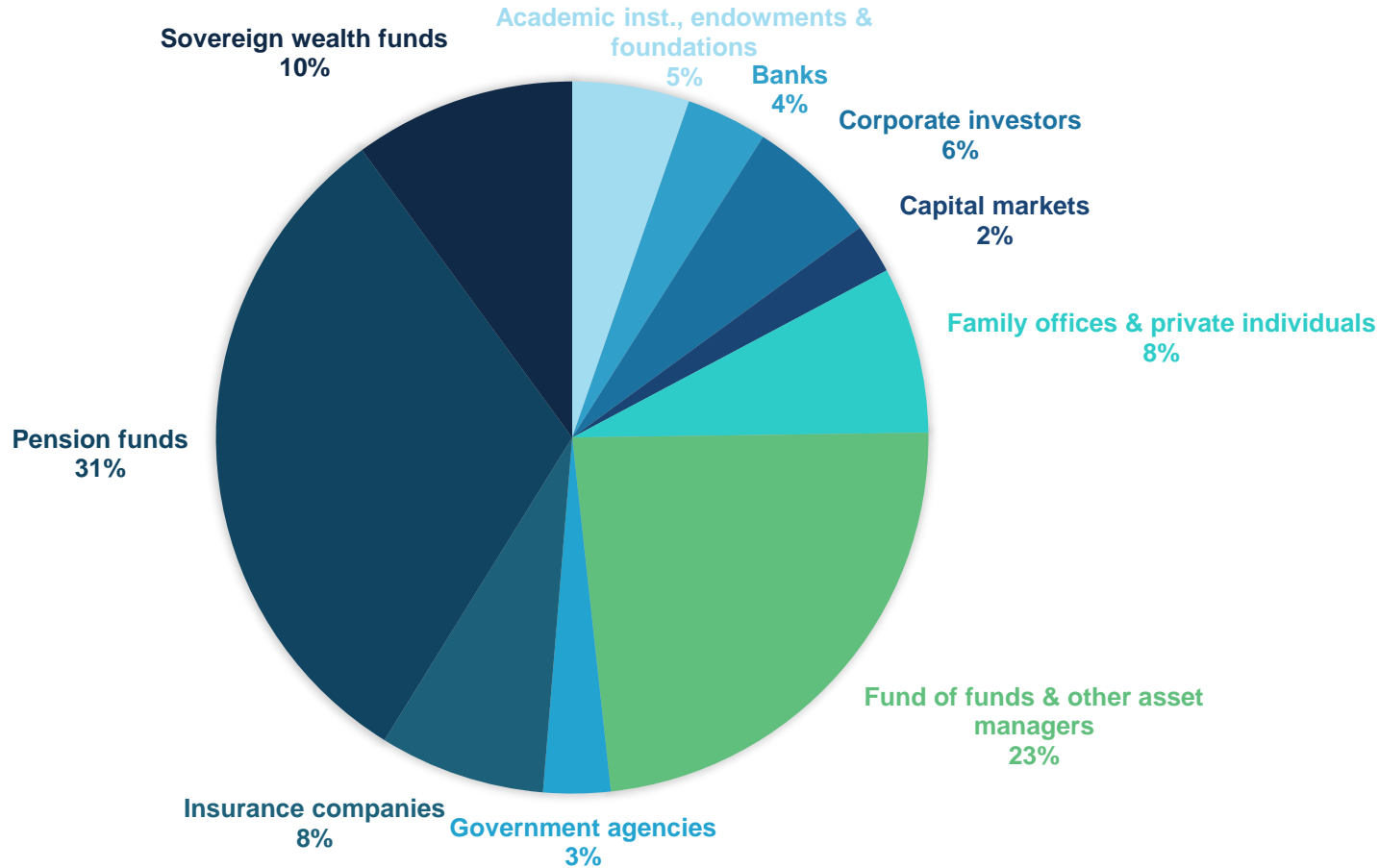
All Private Equity Fundraising

Funds raised by year 2007-2020



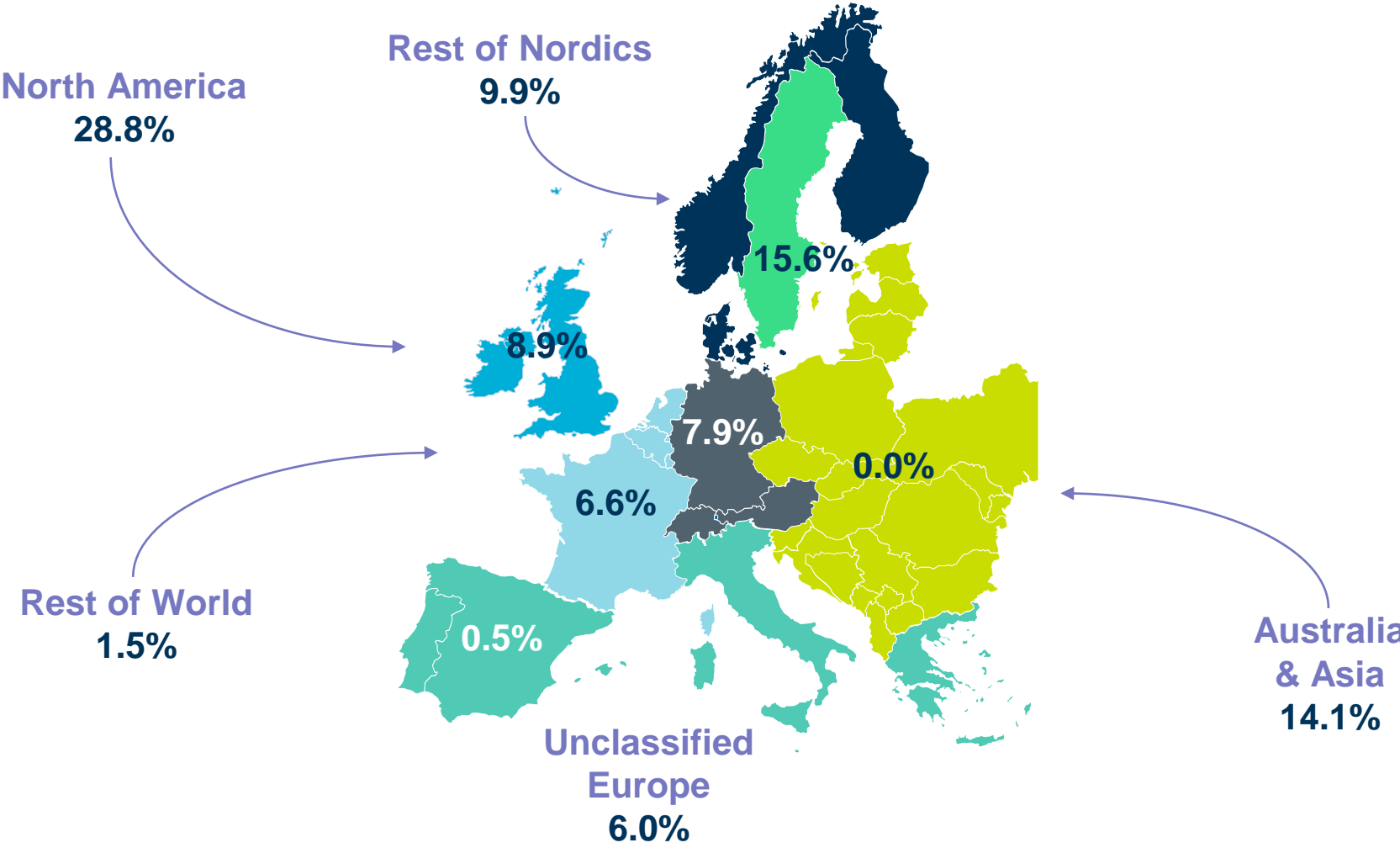
All Private Equity Fundraising

Funds raised by investor type 2007-2020



All Private Equity Fundraising

Funds raised by geography 2007-2020



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 irrespective of the location of the private equity firm.

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

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

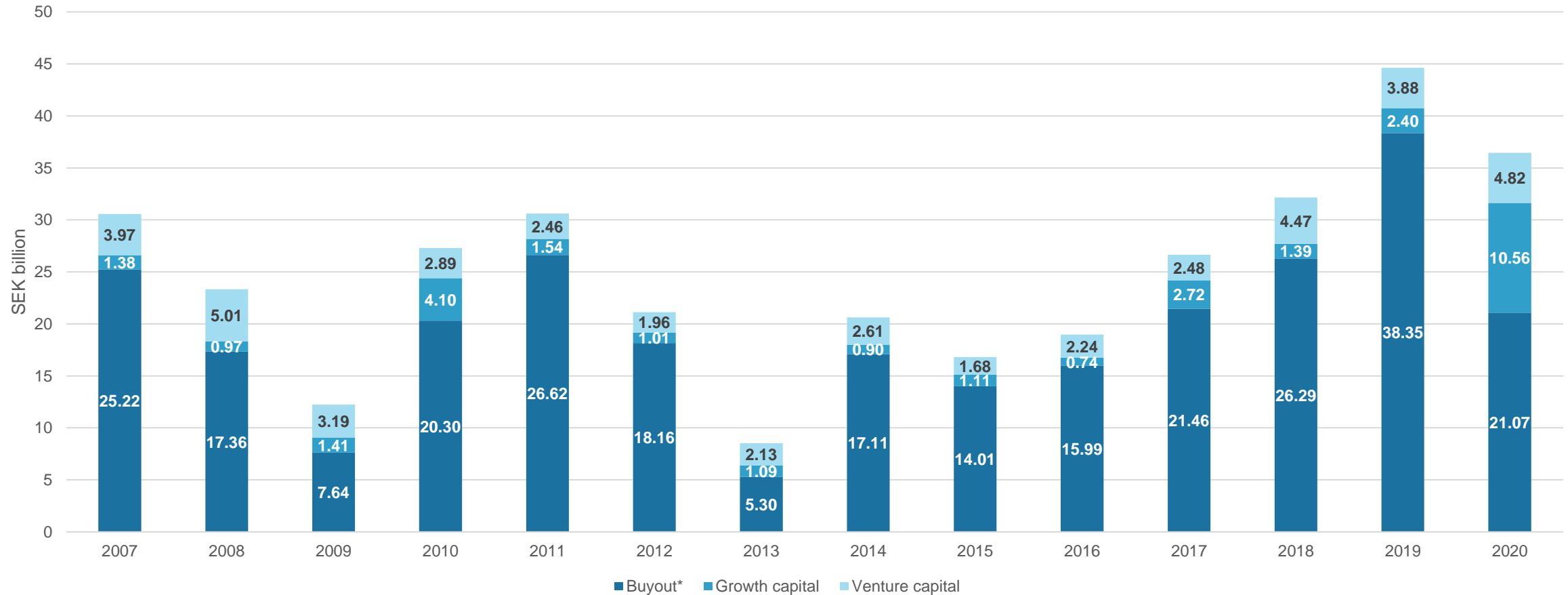
The following funds are excluded from the statistics: infrastructure funds, real estate funds, distressed debt funds, primary funds of funds, and secondary funds of funds. **SVCA**

Investments Summary

- The total equity value invested by private equity was SEK 36 billion, a slight decrease on 2019 due to lower buyout activity.
- The number of companies backed by private equity increased to 442.
 - Venture capital investments increased 24% year-on-year to SEK 4.82 billion, 340 companies received venture capital funding in 2020.
 - Growth capital investments increased 339% year-on-year to SEK 10.56 billion, 47 companies received growth capital in funding 2020.
 - Buyout investments decreased 45% year-on-year to SEK 21.07 billion, 55 companies received buyout funding in 2020.
- *Business Products & Services, ICT and Consumer Goods & Services* attracted the most buyout investments.
- *ICT, Biotech and Healthcare and Consumer Goods & Services* attracted the most venture and growth capital investments.
- Comparing investments to GDP, Sweden had the highest amount of venture and growth capital investments in Europe.

All Private Equity Investments

Amount by stage of investment 2007-2020

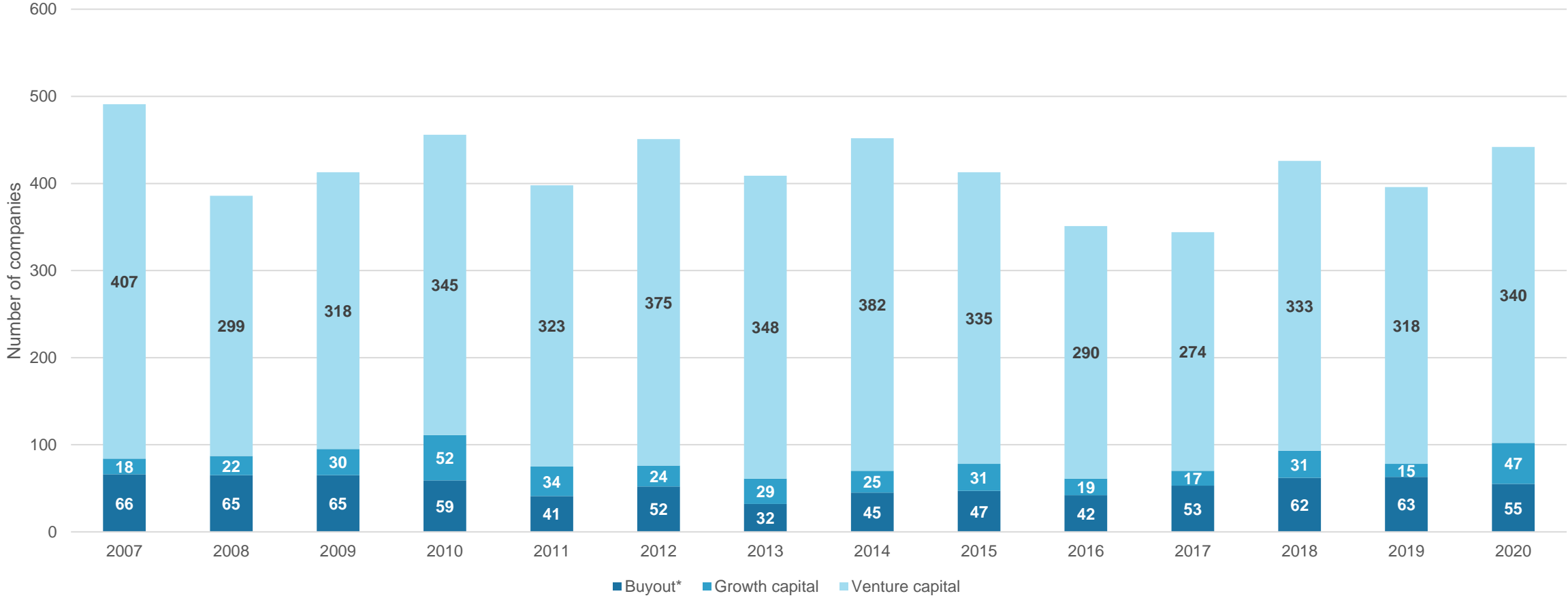


Source: SVCA / EDC

*Buyout includes Rescue/Turnaround and Replacement Capital

All Private Equity Investments

Number of companies 2007-2020

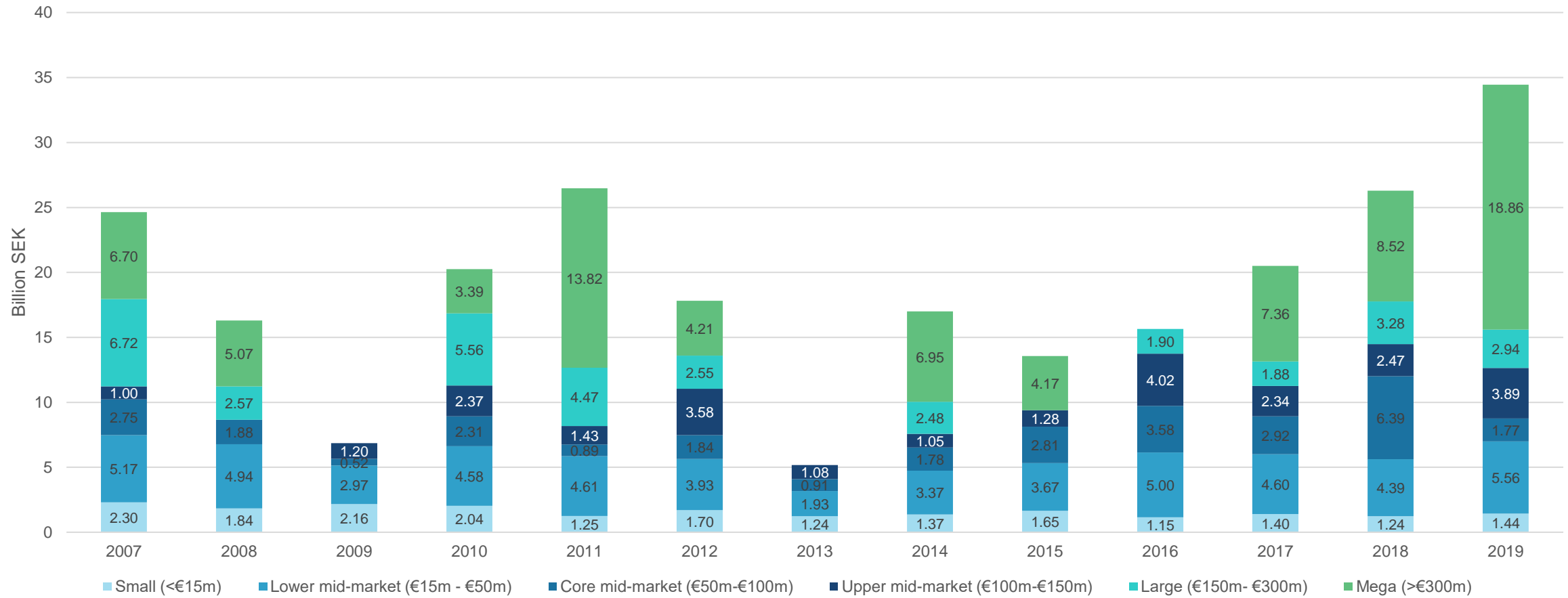


Source: SVCA / EDC

*Buyout includes Rescue/Turnaround and Replacement Capital

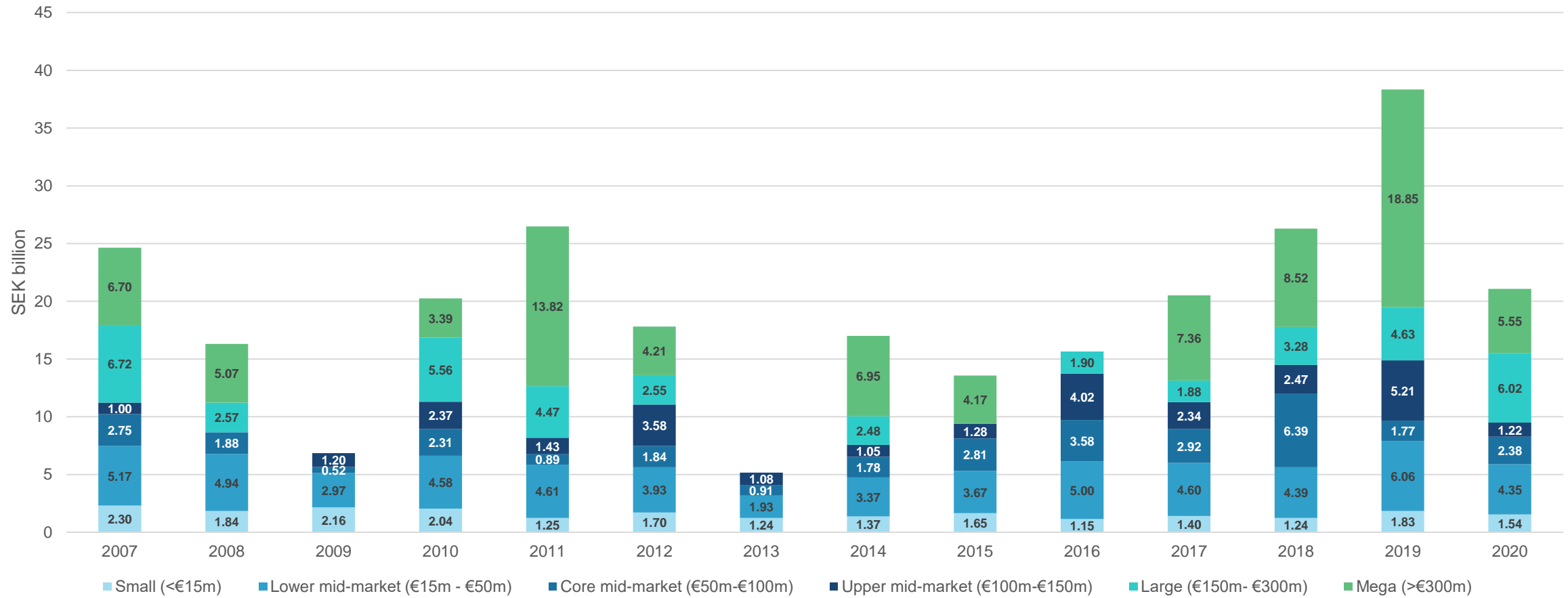
Buyout Investments

Investments by equity bracket 2007-2019



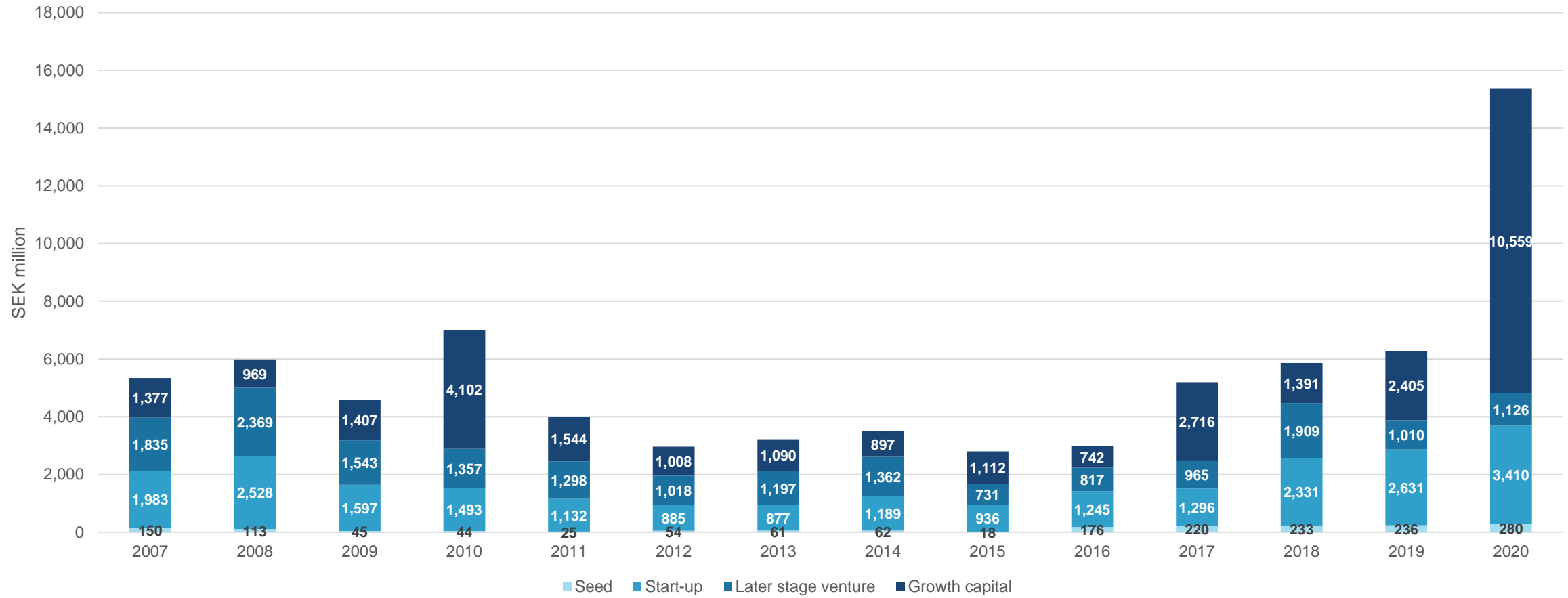
Buyout Investments

Investments by equity bracket 2007-2020



Venture & Growth Capital Investments

Investments by stage 2007-2020

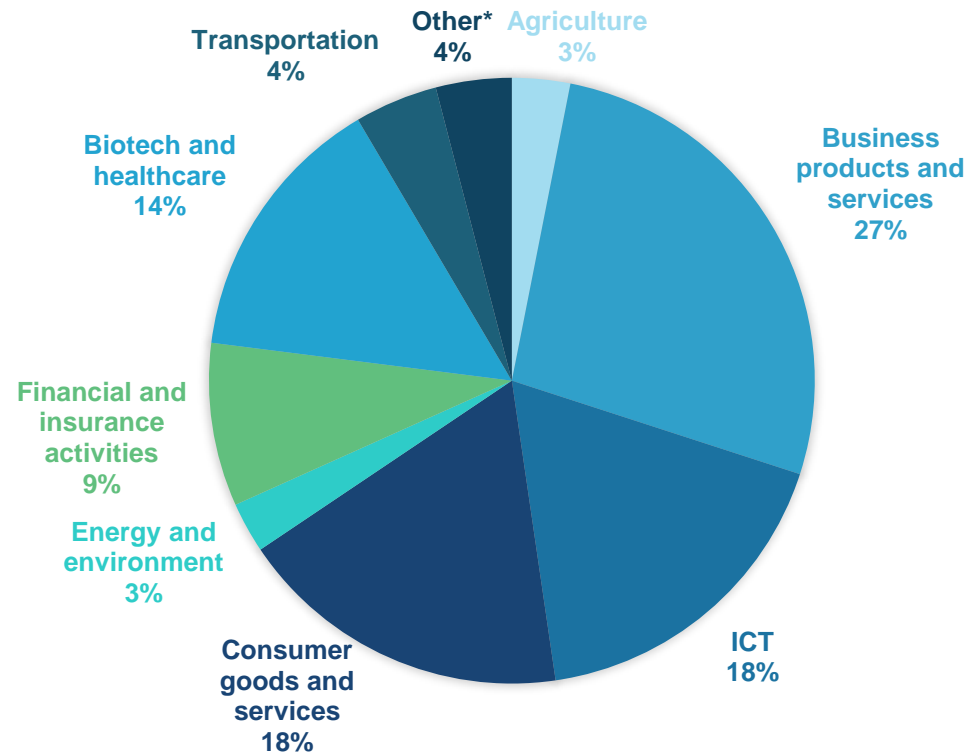


Source: SVCA / EDC

Buyout, Venture & Growth Capital Investments

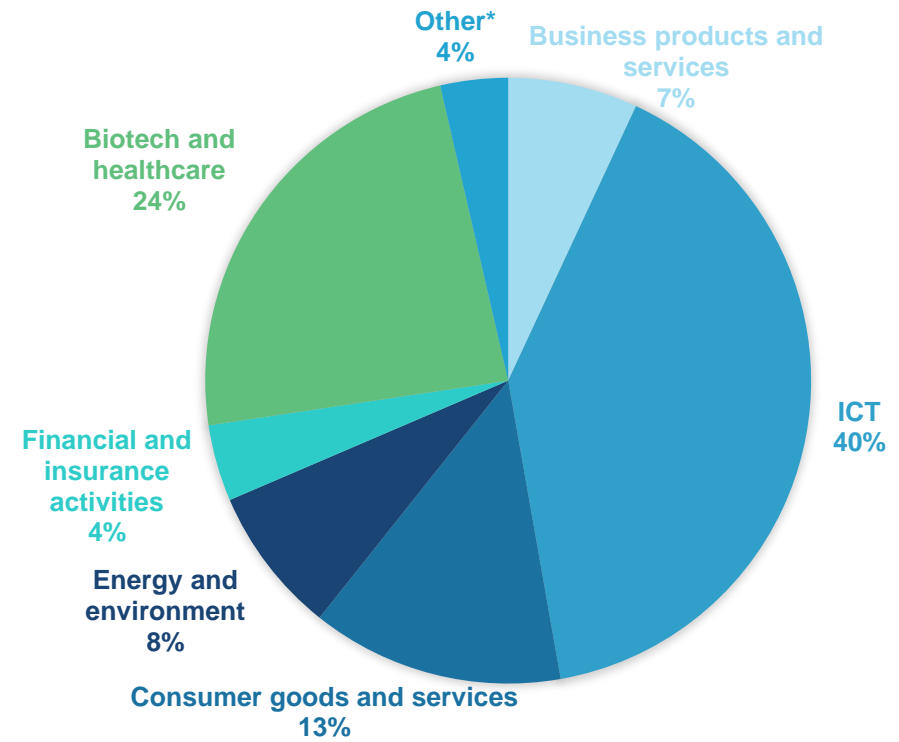
Investments by sector 2007-2020

Buyout investments by sector



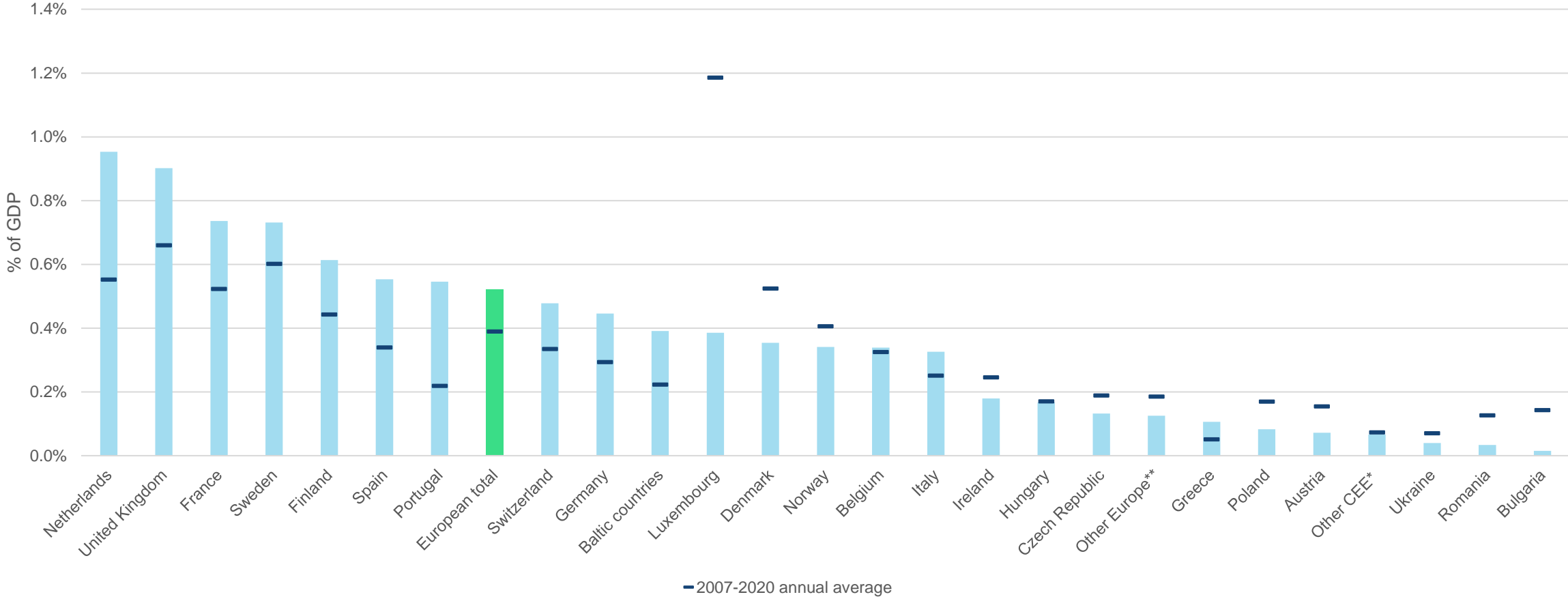
*Other also includes Chemicals and materials, Construction, Real estate

Venture & Growth capital investments by sector



*Other also includes Agriculture, Chemicals and materials, Construction, Real estate, Transportation

All Private Equity Investments as % of GDP 2020

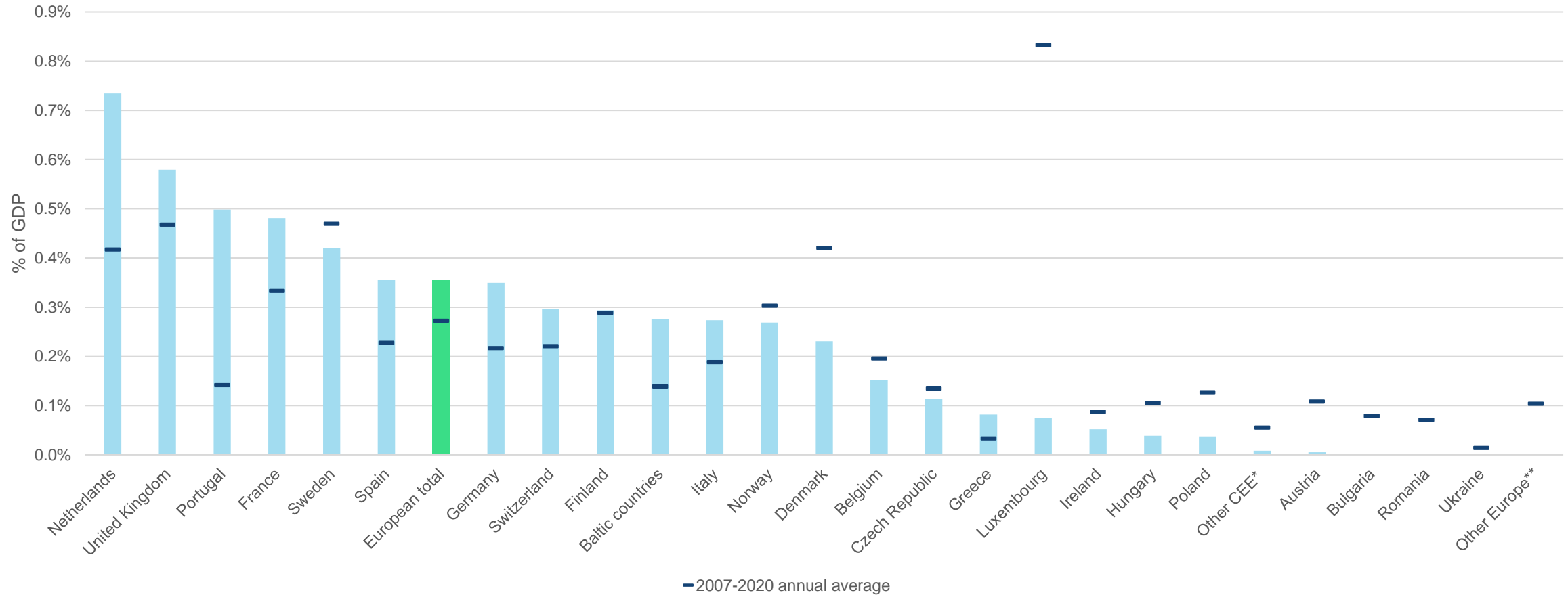


*Other CEE consists of Ex-Yugoslavia and Slovakia

**Other Europe consists of Cyprus, Iceland, Liechtenstein, Malta, San Marino, Vatican City

Buyout

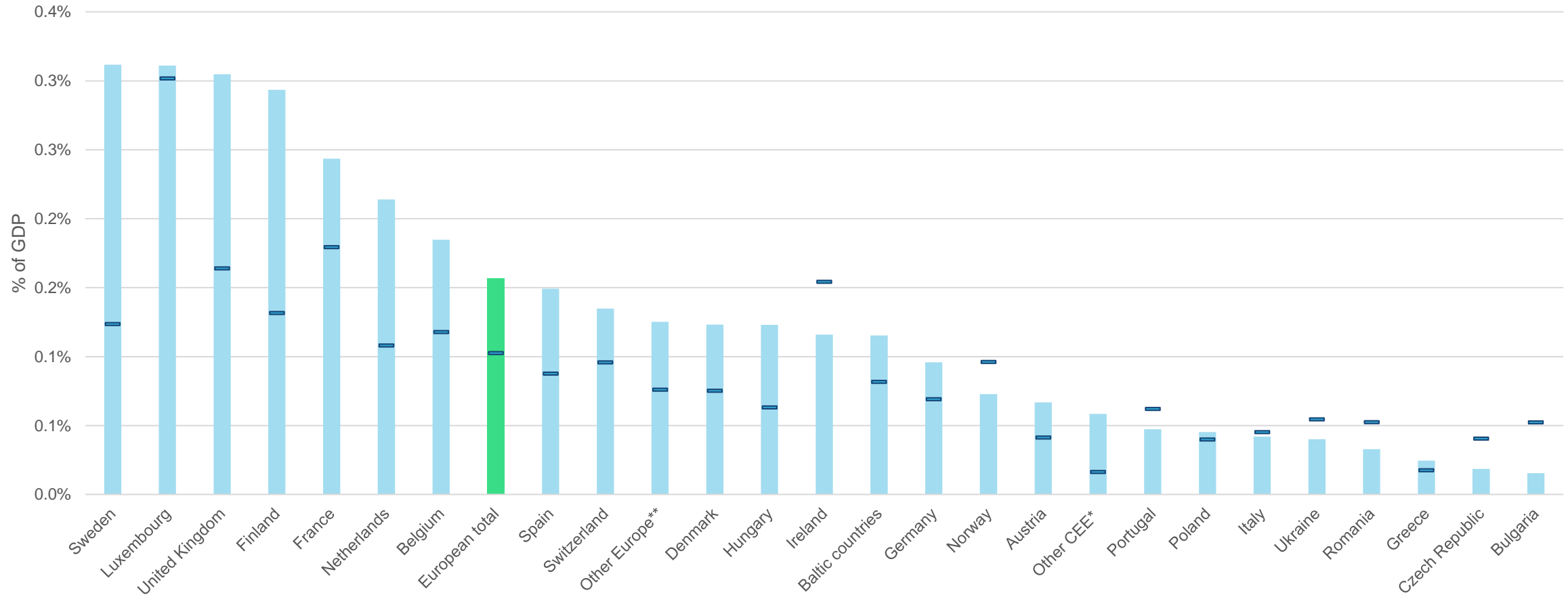
Investments as % of GDP 2020



*Other CEE consists of Ex-Yugoslavia and Slovakia

**Other Europe consists of Cyprus, Iceland, Liechtenstein, Malta, San Marino, Vatican City

Venture & Growth Capital Investments as % of GDP 2020



*Other CEE consists of Ex-Yugoslavia and Slovakia

**Other Europe consists of Cyprus, Iceland, Liechtenstein, Malta, San Marino, Vatican City

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 irrespective of the location of the private equity firm.

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

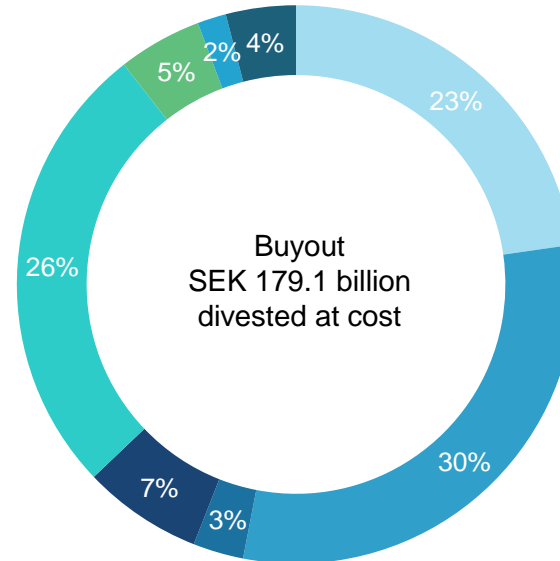
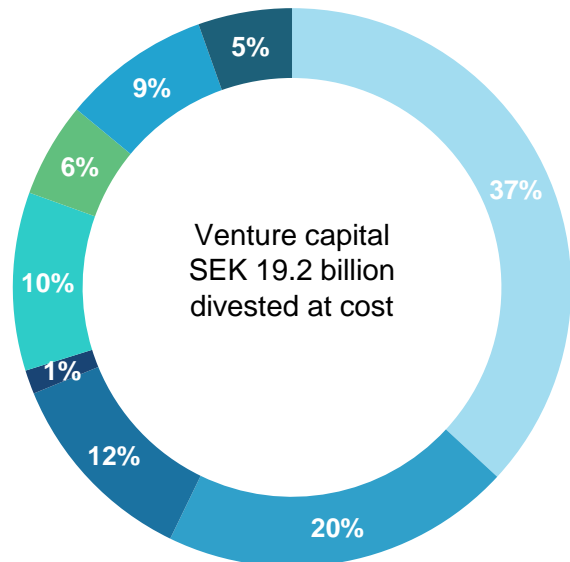
The following funds are excluded from the statistics: infrastructure funds, real estate funds, distressed debt funds, primary funds of funds, and secondary funds of funds.

Divestments Summary

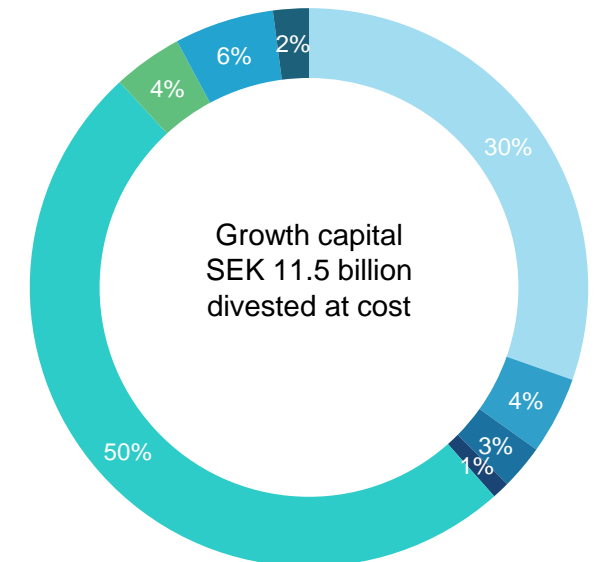
- For buyouts between 2007-2020, the main exit routes by value were public offerings (30%), sales to other private equity firms (26%), and trade sales (23%).
- For venture capital between 2007-2020, the main exit routes by value were trade sales (30%), public offerings (20%), and write-offs (12%).
- For growth capital between 2007-2020, the main exit routes by value were sales to other private equity firms (50%), trade sales (30%), and management/owner buy-backs (6%).
- For buyouts between 2007-2020, the main exit routes by number of companies were trade sales (31%), sales to another private equity firm (22%), and public offerings (17%).
- For venture capital between 2007-2020, the main exit routes by number of companies were divestments by other means (25%), trade sales (24%), public offerings (12%), and write-offs (12%).
- For growth capital between 2007-2020, the main exit routes by number of companies were trade sales (41%), sales to another private equity firm (13%), and public offerings (13%).

Divestments by Exit Route

As % of total amount 2007-2020

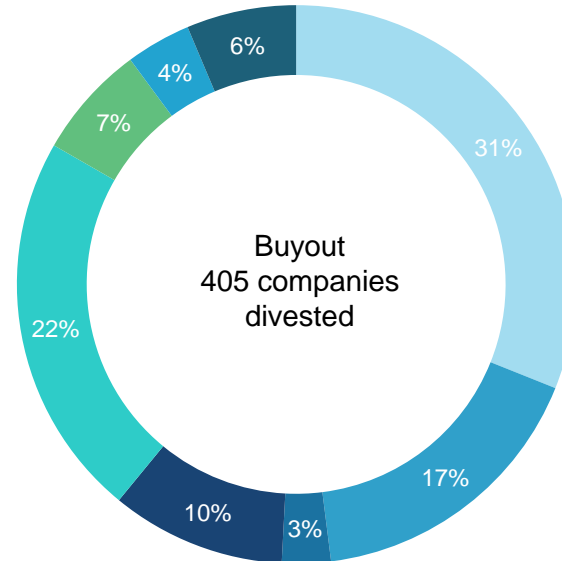
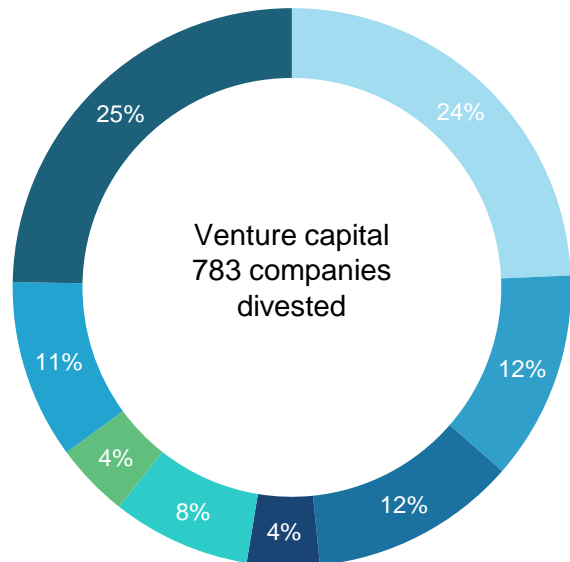


- Sale to trade buyers
- Divestment by public offering
- Write-off
- Repayment of preference shares/loans or mezzanine
- Sale to another private equity firm
- Sale to financial institutions
- Management/owner buy-back
- Divestment by other means

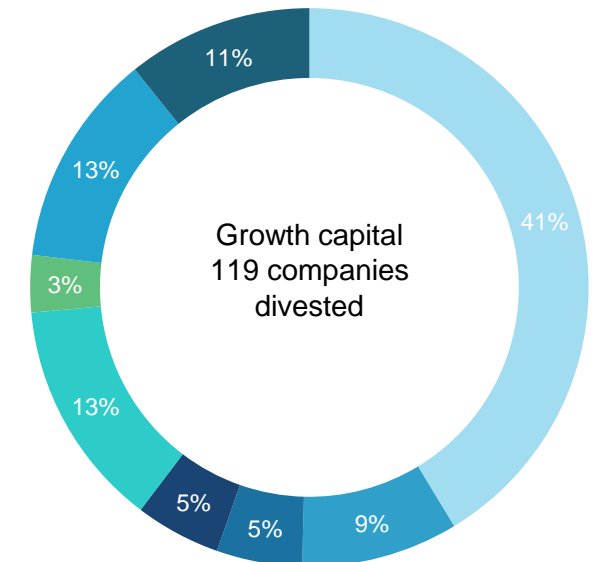


Divestments by Exit Route

As % of total number of companies 2007-2020



- Sale to trade buyers
- Divestment by public offering
- Write-off
- Repayment of preference shares/loans or mezzanine
- Sale to another private equity firm
- Sale to financial institutions
- Management/Owner buy-back
- Divestment by other means



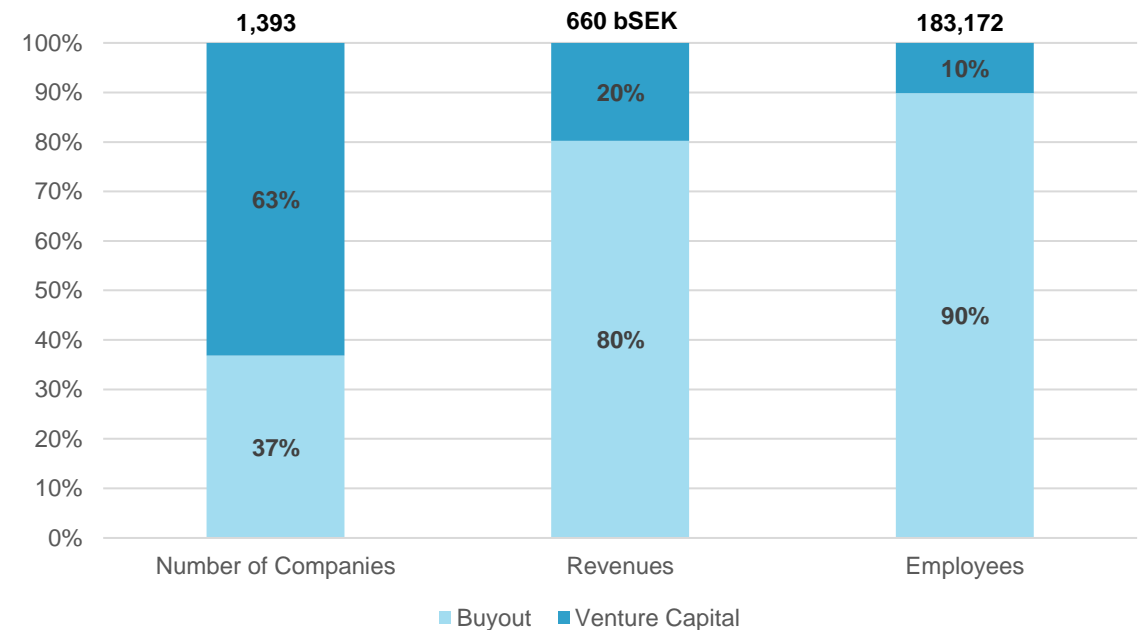
Private Equity and the Swedish Economy

Significance statistics explained

Statistics on portfolio companies are an aggregation of the latest available public data, presenting turnover (using 2019 data) and the number of employees (using 2018 data). Swedish portfolio companies are included, irrespective of the location of the private equity firm.

Private Equity Represents a Substantial Part of the Swedish Economy

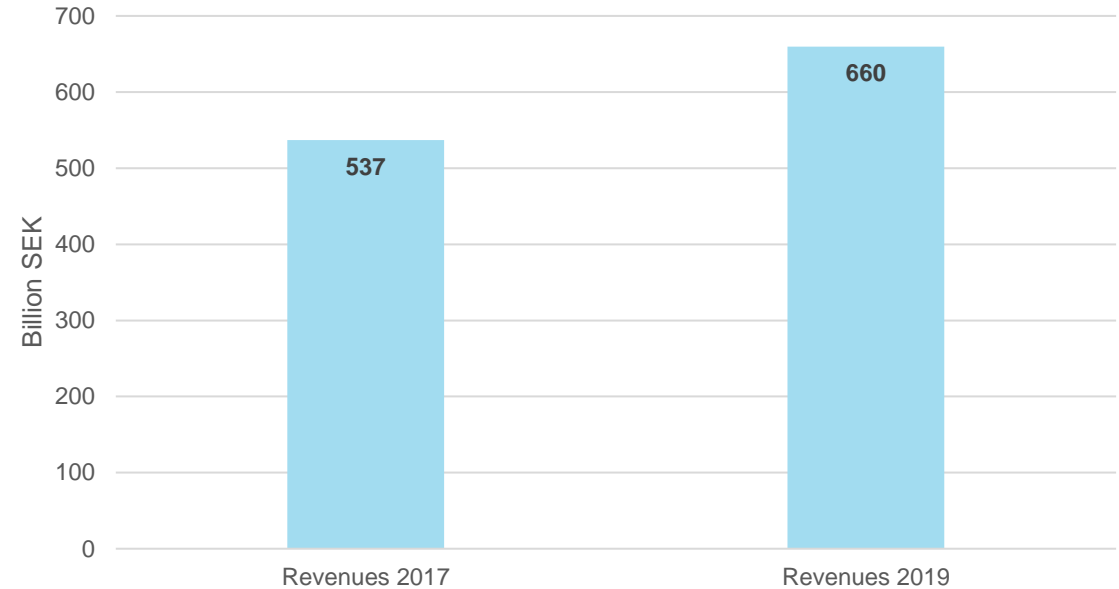
- There were a total of 1,393 Swedish portfolio companies in 2019, 513 buyout-backed, and 880 venture capital-backed.
- Global revenues in Swedish portfolio companies amounted to SEK 660 billion in 2019.
- Swedish portfolio companies employed 183,172 people in 2018, amounting to 3.59% of the active workforce in Sweden that year.



	Number of companies	%	Revenues 2019	%	Employees 2018	%
Total	1,393	100	660	100	183,172	100
Buyout	513	37	529	80	164,604	90
Venture	880	63	131	20	18,568	10

Global Revenues of Private Equity-Backed Swedish Portfolio Companies

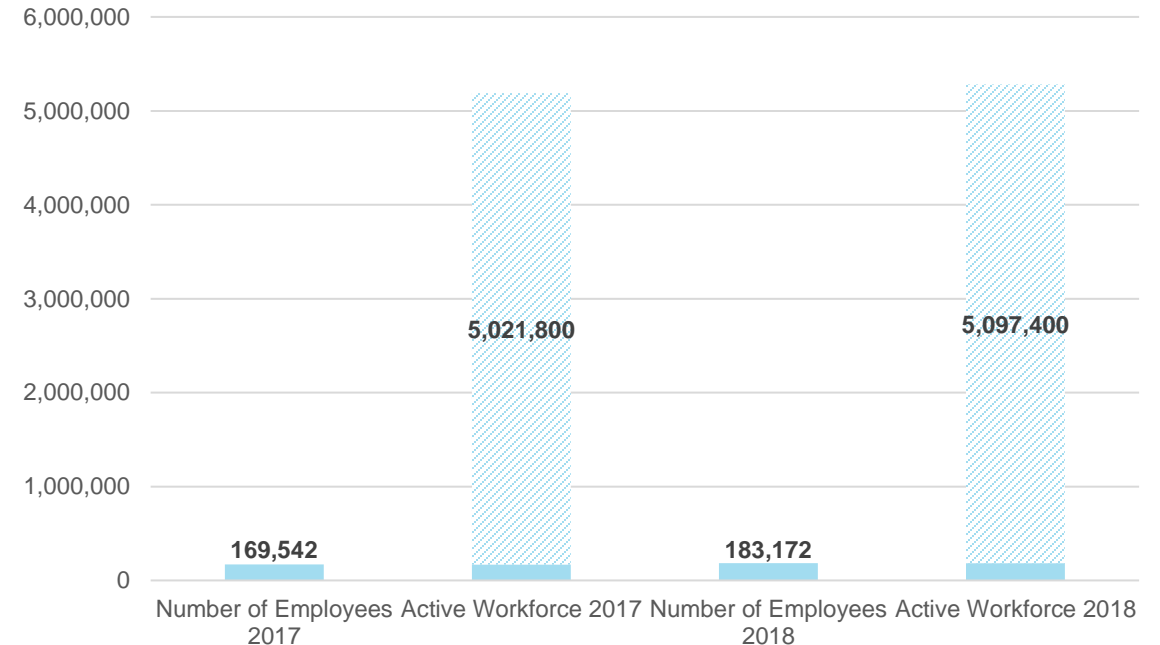
- Global revenues grew by about 23% between 2017 and 2019, equivalent to an increase of SEK 123 billion.
- Venture capital portfolio companies represented 20% of total global revenues in 2019, while representing 12% in 2017, as the number of later stage venture capital-backed portfolio companies increased.



	Number of companies 2017	Revenues 2017	Number of companies 2019	Revenues 2019
Total	1,160	537	1,393	660
Buyout	406	475	513	529
Venture	754	62	880	131

Number of Employees in Private Equity-Backed Swedish Portfolio Companies

- Swedish portfolio companies employed 183,172 people in 2018, compared to 169,542 in 2017. This represents 3.59% of the active workforce in Sweden compared to 3.38% in 2017.
- Both the relative and absolute number of employees increased between 2017 and 2018, as the number of portfolio companies increased.
- Buyout portfolio companies accounted for most of the employed individuals in 2018 (90%). However, the number attributable to venture capital increased in relative and absolute terms between 2017 and 2018.



	Employees 2017	%	Employees 2018	%
Total	169,542	100	183,172	100
Buyout	155,964	92	164,604	90
Venture	13,578	8	18,568	10

Performance of European Private Equity

Performance statistics explained

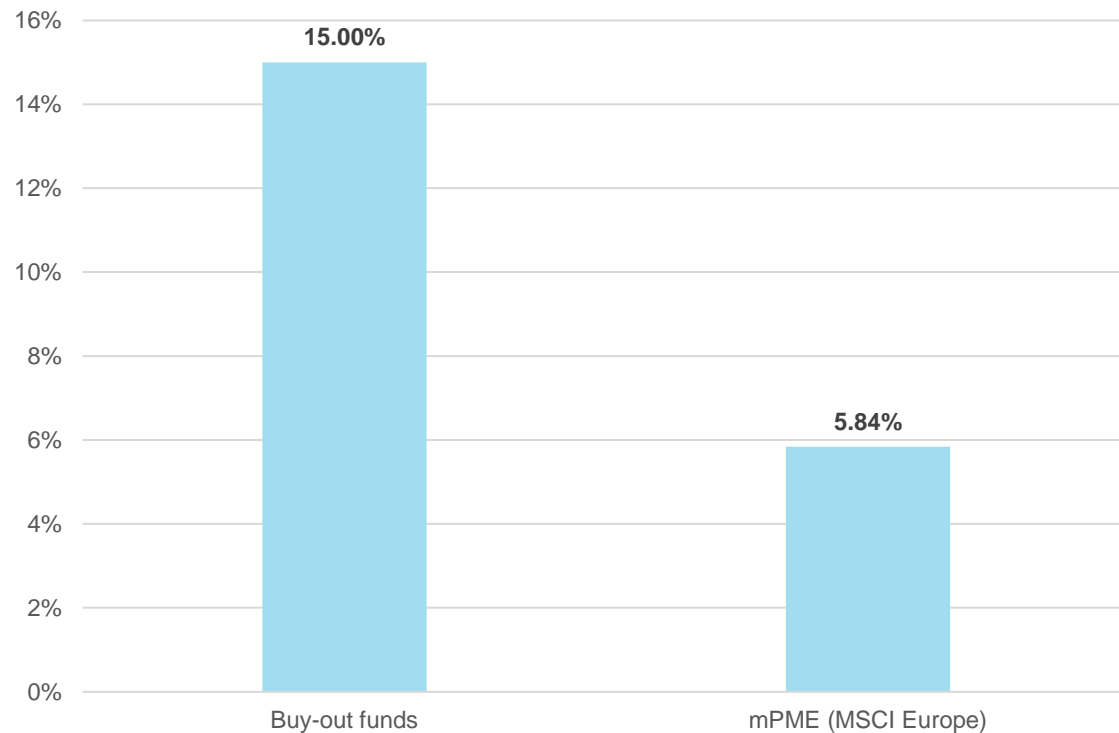
Statistics on private equity performance are taken from Invest Europe's 2019 benchmark report *The Performance of European Private Equity*, with data from Wellershoff & Partners, based on Cambridge Associates, with special permission from Cambridge Associates.

Performance of European Private Equity

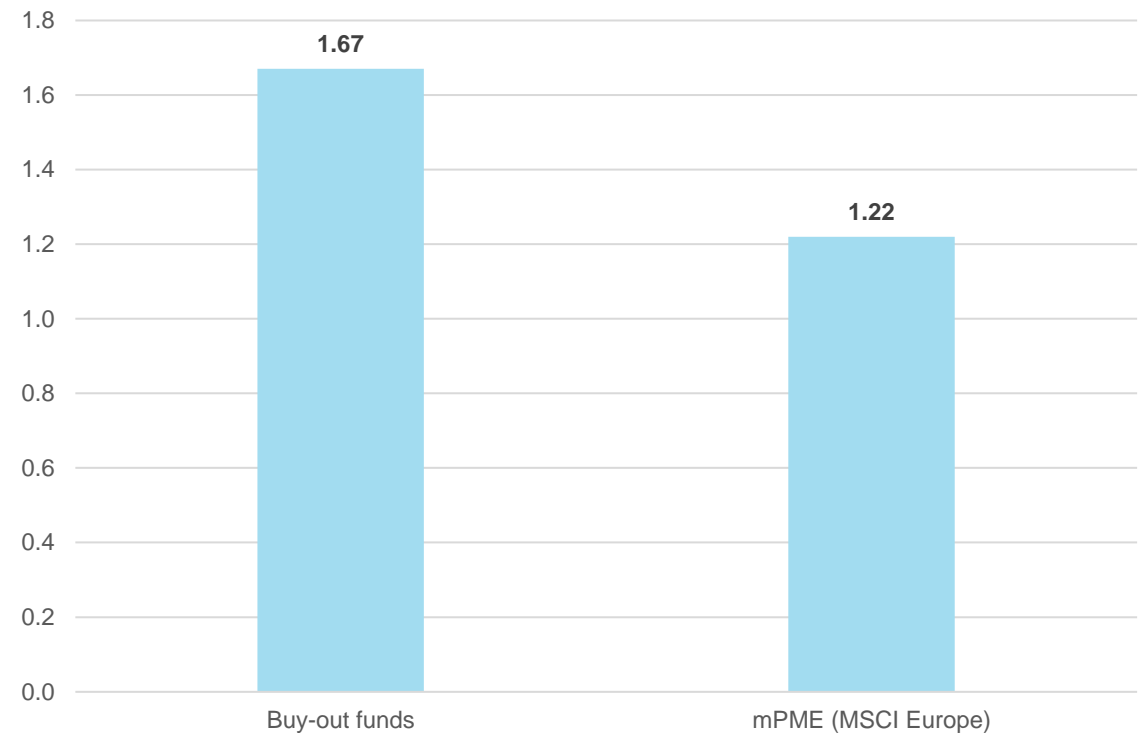
- Invest Europe's 2019 benchmark report *The Performance of European Private Equity* shows that the asset classes associated with private equity (buyout, growth capital, venture capital) clearly outperformed listed equities:
 - Buyout has delivered a net internal rate of return (IRR) of 15.00% vs. 5.84% for the MSCI Europe and a multiple of invested capital (MOIC) of 1.67x vs. 1.22x.
 - Growth capital has delivered a net IRR of 13.28% vs. 7.32% for the MSCI Europe and 11.71% for the S&P Europe Small Cap Growth and an MOIC of 1.52x vs. 1.24x for the MSCI Europe and 1.46x the S&P Europe Small Cap Growth.
 - Venture capital has delivered a net IRR of 9.77% vs. 8.39% for the MSCI Europe and an MOIC of 1.70x vs. 1.38x for the MSCI Europe.
- Relative performance compared to listed equities is calculated using the mPME methodology as explained in Invest Europe's research report *Benchmarking Public & Private Markets with the Public Market Equivalent (PME)*.

Performance of European Buyout Funds

IRR and mPME of European buyout funds



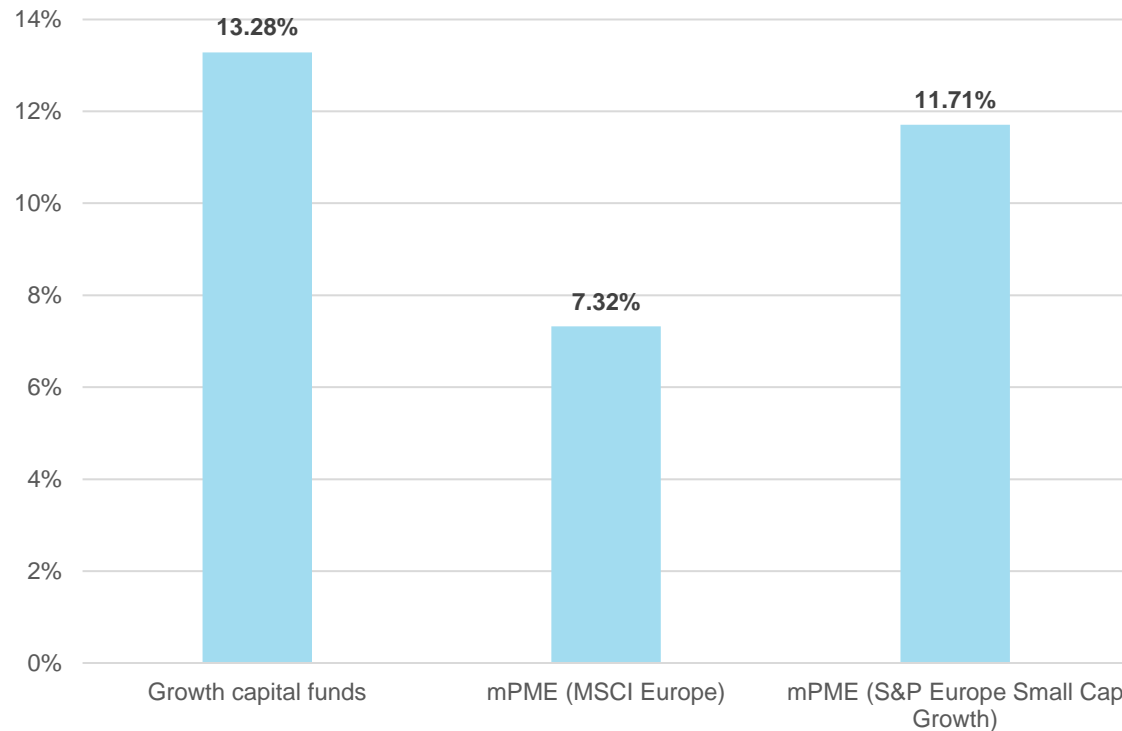
MOIC and mPME of European buyout funds



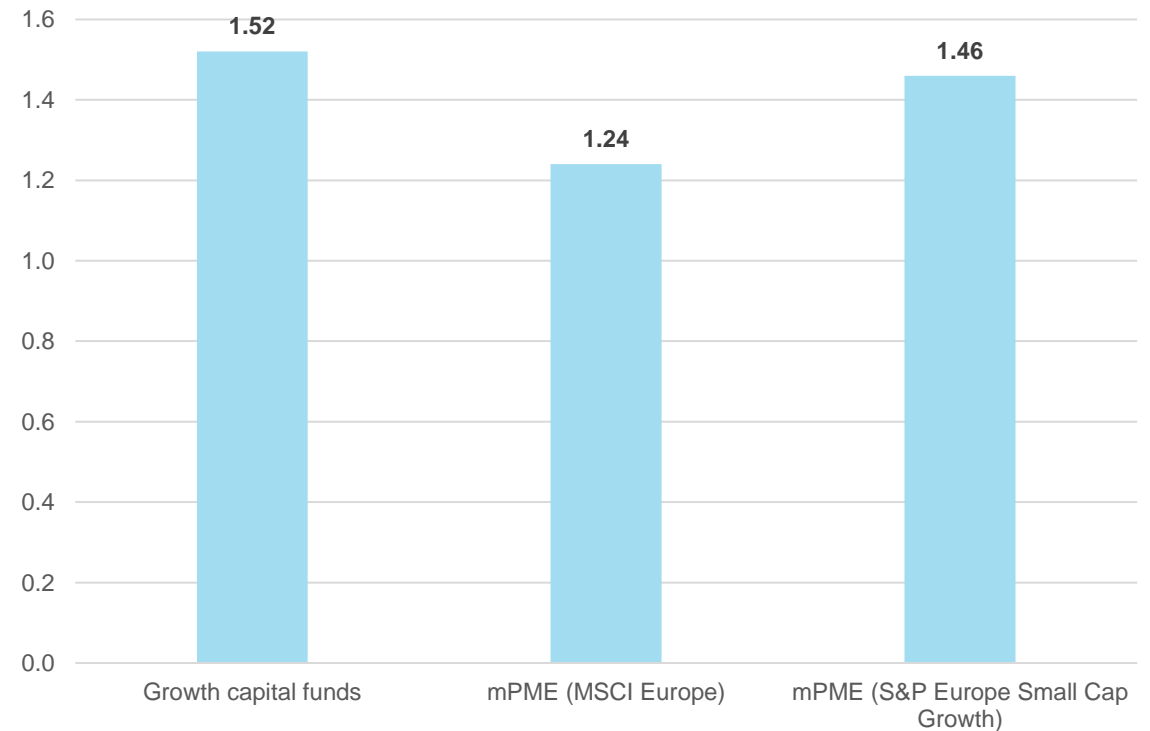
Source: Invest Europe – The Performance of European Private Equity, with data from Wellershoff & Partners, based on Cambridge Associates, with special permission from Cambridge Associates

Performance of European Growth Capital Funds

IRR and mPME of European growth capital funds



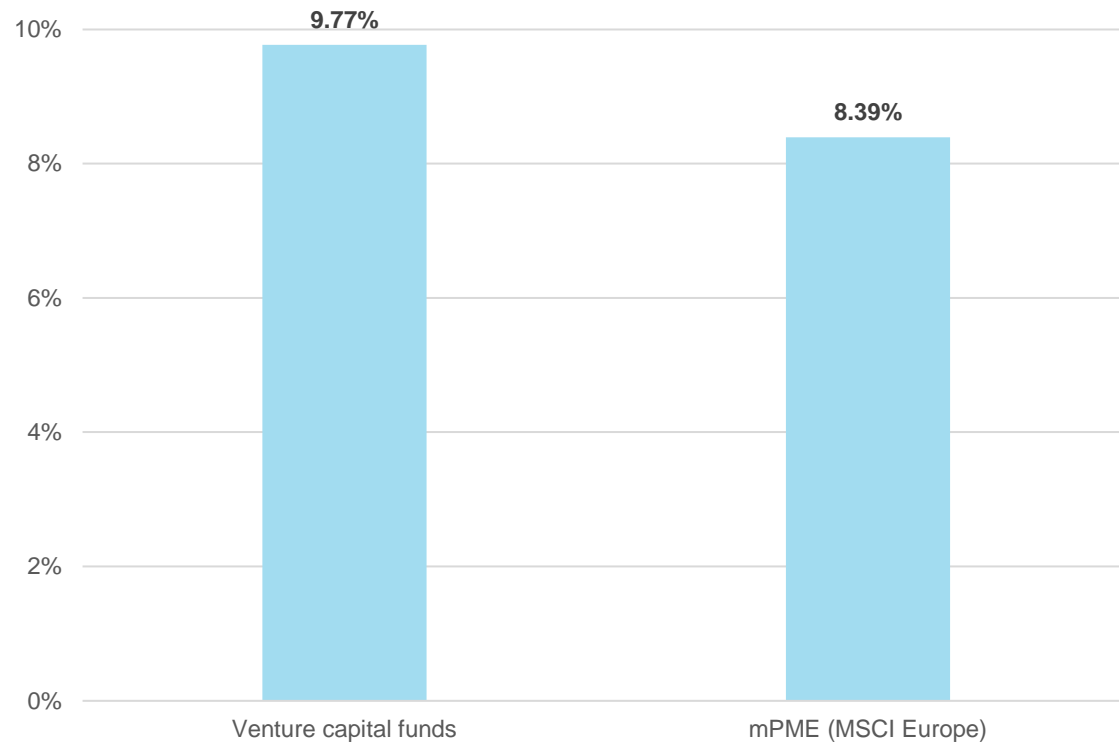
MOIC and mPME of European growth capital funds



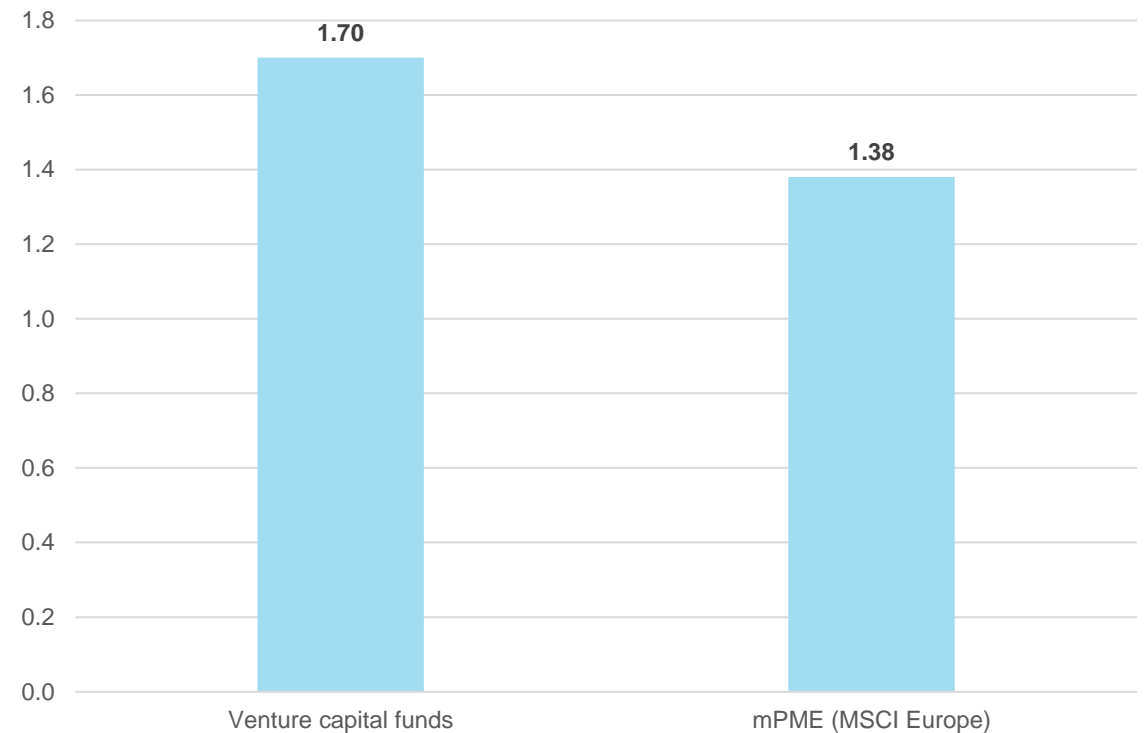
Source: Invest Europe – The Performance of European Private Equity, with data from Wellershoff & Partners, based on Cambridge Associates, with special permission from Cambridge Associates

Performance of European Venture Capital Funds

IRR and mPME of European venture capital funds



MOIC and mPME of European venture capital funds



Source: Invest Europe – The Performance of European Private Equity, with data from Wellershoff & Partners, based on Cambridge Associates, with special permission from Cambridge Associates



Glossary

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. Endowments 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 make 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.

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.

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 sales 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 a 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.

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