



The Nordic Secondaries Market

Interview with Mattias de Beau

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1. How does operating in the Nordic region compare with other regions from a secondaries perspective?

It's very similar to elsewhere in Europe. The Nordic region is a fairly local market, so naturally it helps to have a knowledge of the language and culture. English is the language of business, and everyone speaks it. You can complete a transaction entirely in English, but being from the region, speaking the language, understanding the way people do business and so on, gives sellers that extra level of comfort. A Swedish speaker can easily communicate with someone from Norway or Denmark.

2. How well established is the secondaries market in the Nordic region?

Private equity is most established in Sweden, so that is where secondaries activity tends to be focused. But there have been relatively few secondaries transactions in the Nordic region overall, because the market is young. Private equity has been well established for some time, but in terms of secondaries activity the first deals go back ten years at most. These weren't driven by local sellers but by international investors, mainly from the US and also Europe. It's a small market, and if a local institution sold out that would have an impact on its reputation. Most local private equity investors are building up their programmes, so they have no reason to sell.

3. What level of dealflow does the Nordic region provide for Greenpark Capital?

The market is quite lumpy and varies from year to year, but around 5-10% of our overall dealflow is in funds from the Nordic region. There are very few local sellers, so the figure for locally initiated sales would be a smaller percentage. That figure has been pretty consistent over the years, and will probably remain around this level for the foreseeable future. We go there on a fairly regular basis but as the sellers are often not from the region, we mainly go to get to know the managers.

4. Is the Nordic region difficult to penetrate, compared with other European regions?

Everyone in the region speaks English, and they're generally very open, so getting to know managers is a lot easier than in some other European regions. That said, it helps to know the local language and culture. There are only a handful of secondaries players on the ground, but the market is too young to warrant a base in the region for most operators. Also it's just a short hop from, say, London so you can go there and back in a day. It's possibly harder to find sellers than in some other regions, but that's because the sellers tend not to be from the region.

5. What impact has the recent economic downturn had on secondaries activity in the region?

It has affected the Nordic region in line with other European markets – volumes were down in 2009 as elsewhere, mainly because the kind of deals on offer – poor quality, highly unfunded, immature transactions - were unattractive to investors. Private equity funds also suffered, but we saw less banks taking control of assets, mainly because there were fewer syndicated loans than in some other markets. Nordic banks seem to have been happier working on a more consensual basis.

Iceland is part of the region, but private equity funds barely exist there any more, mainly because they tended to be owned by the banks. Early in 2009 that provided some secondaries dealflow, but given the size of the economy, most investment is made elsewhere in the region. Swedish, Norwegian and Danish investors haven't tended to invest in Iceland, and external investors generally focus on the core Scandinavian territories. Nordic funds have expanded into mainland Europe – Germany and Central and Eastern Europe. Iceland is too far away for most Scandinavian managers to have a presence there.

6. Have there been any notable secondaries transactions in the Nordic region in recent years?

Given that the secondaries market is so small, and that deals tend not to be disclosed, the only notable transaction has been the sale by Skandia of a large portfolio of assets when Old Mutual acquired it [in 2006].

7. What is the role of the SVCA?

The SVCA, NVCA, DVCA and FVCA [the associations of Sweden, Norway, Denmark and Finland] promote private equity in general and help inform the general public and industry on the benefits of private equity for entrepreneurs. They host seminars and conferences, often jointly. Scandinavian countries are broadly socialist, but there is a high degree of entrepreneurship and private equity is well established. Sentiment towards the industry shifts. There was a debate in Sweden, a few years ago, about private equity managers' earnings, both in terms of carry and fees, but private equity is now better understood and more generally accepted. Most public pension funds are generally supportive, because private equity offers the kind of returns they can't ignore. As a whole, private equity is well regarded.

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