

Swedish private equity firms back on track

Written by Johan Nylander

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- [Bumper times ahead for PE deals in Sweden](#)

The Swedish private equity industry has recovered from the global financial crisis and is back on track after record levels of buyout investments last year in Swedish portfolio companies.

More than 60 percent of the country's private equity and venture capital firms are based in Stockholm, including successful international players, Nordic Capital, EQT Partners, Bure Equity and Altor Equity Partners.

Peter Malmqvist, head of the Swedish Society of Financial Analysts and an independent stock market analyst, explained that the bulk of today's most well-known PE firms were formed in the late 1980s, when many Swedish companies were in need of liquidity and restructuring.

"Swedish companies were fairly motley at the end of the 1980s, after a period of massive acquisitions," he told the Swedish Wire. "Thus there was a need to streamline group structure. Since it was about selling individual units, not to close down the unprofitable, a private equity structure suited well."

Marie Reinius, CEO of the Swedish Private Equity & Venture Capital Association, said that Swedish PE companies have been able to grow so large because they had an international outlook since day one. Large investments in innovation and engineering excellence have, of course, been influential too.

"The fact that Sweden has been the base for so many private equity companies means that we have a relatively large group of people with expertise in the area," she said.

From an international perspective, what is required of Stockholm to maintain its momentum?

"Most important is that we have long-term stable rules that are internationally competitive," Reinius said. "Furthermore, we must continue to ensure that the country is internationally

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attractive to foreign players.

“Swedish PE-owned companies employ 180,000 people and buy a lot of services from qualified consultants and advisors. This means that this is an important sector for future Swedish growth”.

In 2010, buyout investments in Swedish portfolio companies totaled 23.7 billion kronor (\$3.5 billion), according to the Swedish Private Equity & Venture Capital Association. It was the highest investment level ever registered for the Swedish buyout sector, and more than twice the size of the amount invested in 2009.

While the buyout segment has revitalised, activity in the venture sector is still weak.

“For venture capital, it remains a fan of hardcore, where investments continue to decline for the third consecutive quarter,” wrote Reinius in the organisation’s Q1 report. “The situation is now critical.”

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