



# When will the knot finally unravel?

Private equity – Nordics  
State of the Region: H1 2024



## **"Private equity – Nordics: State of the Region" is one of numerous publications in a series launched by Roland Berger in 2011**

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### **Key messages**

Almost all European countries recorded a high single or double-digit decline in 2023 compared to 2022. Year-on-year, 2023 saw a significant decrease of ~24% across all geographies

The deal volume in the Nordics region declined by 47% from 445 deals in 2022 to 235 in 2023. H1 2024 marks the weakest half-year since 2013, with ongoing macroeconomic disruptions continuing to impact transaction volumes since 2022.

With the PE market bottoming out in H1 2024, the outlook for H2 2024 and beyond appears more promising. Although the outlook includes continued stagnation in mid and large-cap investments, early screening activities and exclusivity are becoming more important, continuation funds and intensified refinancing activities are growing in relevance, and corporate carve-outs are playing an increase role as a lead channel for assets. The only way forward is up.

## The Nordics PE market ranks fourth in Europe after the UK and Ireland, DACH and France in terms of total transaction volume

With 100+ PE funds active in the market and 235 transactions in 2023, the Nordics region is one of the key centers of gravity for private capital deployment in Europe.

### Key facts and figures Nordics



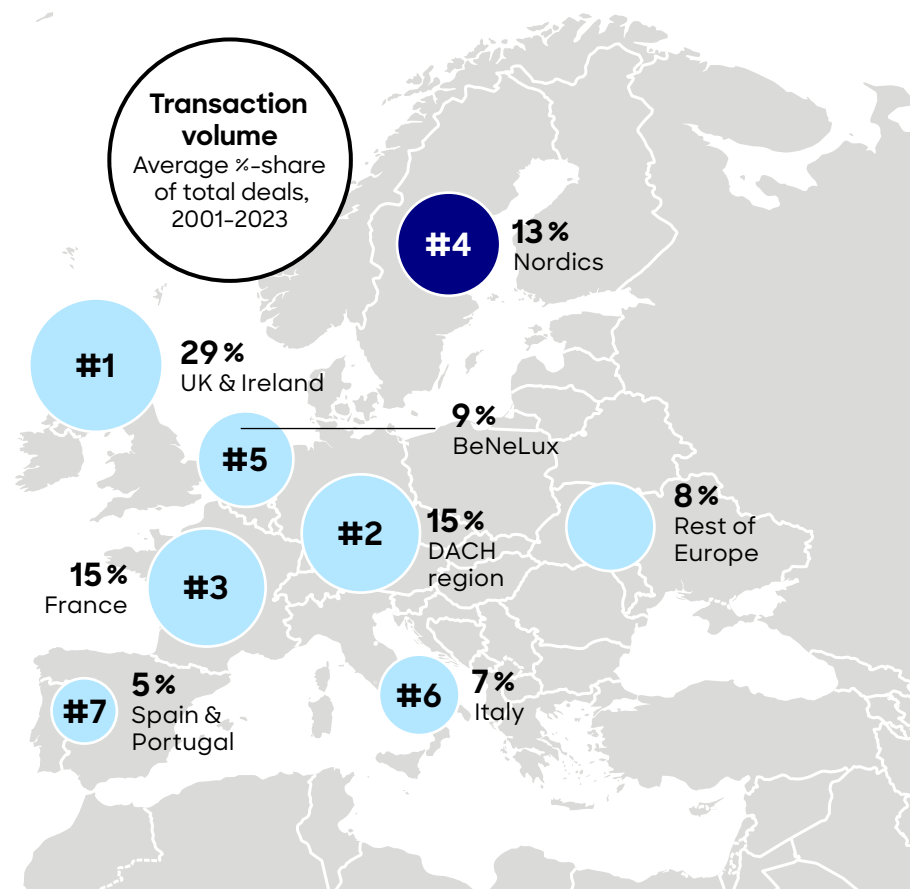
100+ active **PE funds** in the Nordics region



**235 transactions** in 2023 versus **445 transactions** in 2022 indicating a **YoY decline of 47%** - H1 2024 with **81 transactions** in Nordics



In 2023, PE firms **accumulated "dry powder" estimated of EUR ~80 bn** ready to be deployed across the Nordics



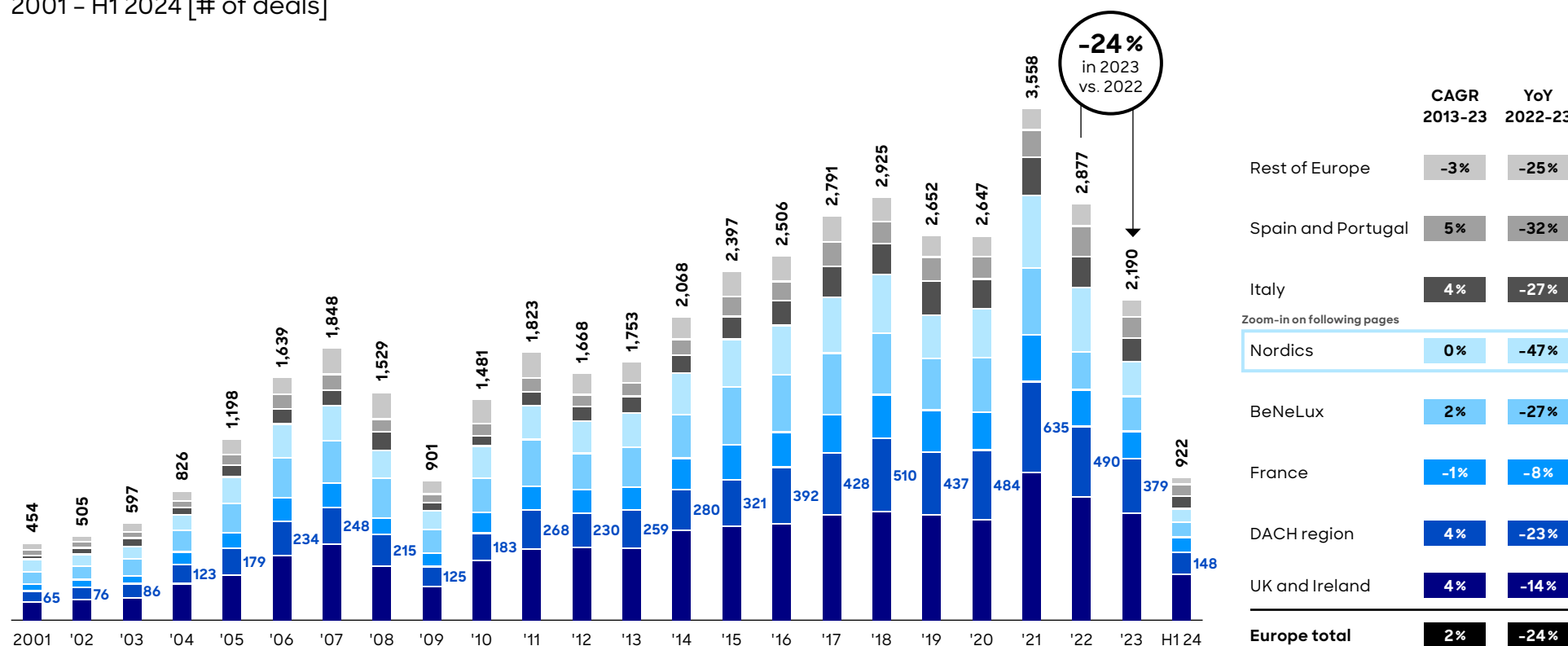
Note: Including completed buyout transactions (including add-on acquisitions) available in Preqin. Figures may include historic adjustments and reclassification.

Source: PitchBook, IMF, Preqin (as of July 2024 – Latest data available)

## Significant year-on-year decrease of ~24% in European transactions in 2023 across all

Almost all European countries recorded a high single or double-digit decline in 2023 compared to 2022. The UK and Ireland and DACH region - the largest regions in terms of transaction volume - experienced a decline of -14% and -23%, respectively. Strongest decline was observed in Nordics (-47%) and Spain and Portugal (-32%). The primary reasons for the general decline are the difficulties with debt financing.

### European transaction volume by geography 2001 – H1 2024 [# of deals]



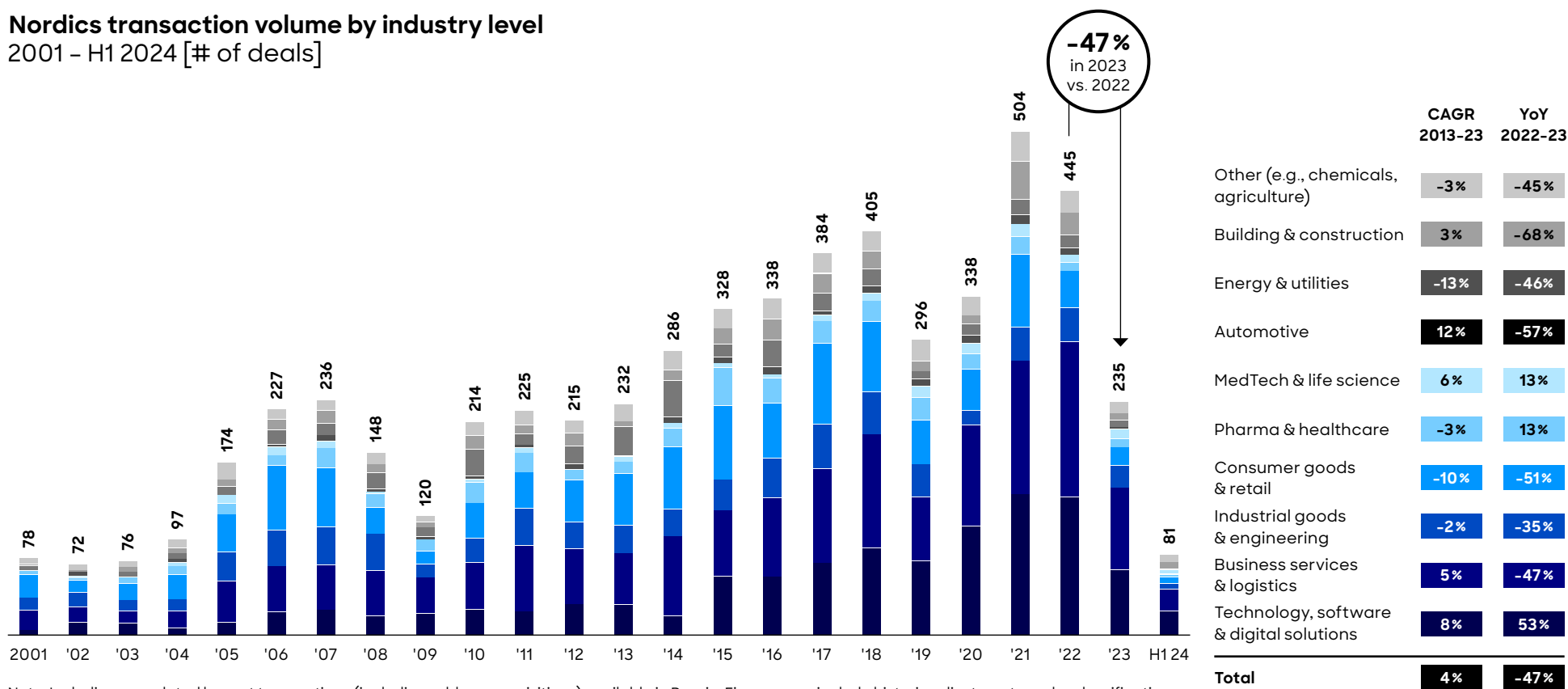
Note: Including completed buyout transactions (including add-on acquisitions) available in Preqin. Figures may include historic adjustments and reclassification.

Source: Preqin (as of July 2024 – Latest data available)

## Technology, software & digital solutions and business services & logistics recorded the highest number of deals in Nordics in '23 – Similar pattern in H1 '24

At the industry level, technology, software & digital solutions (66 deals) and business services & logistics (82 deals) were the main contributors to deal flow in 2023. From 2022 to 2023, all sectors experienced declines apart from MedTech and life science and pharma & healthcare, with building and & construction being the worst affected. The strongest long-term growth was seen in automotive since 2013.

### Nordics transaction volume by industry level 2001 – H1 2024 [# of deals]



Note: Including completed buyout transactions (including add-on acquisitions) available in Preqin. Figures may include historic adjustments and reclassification.

Source: Preqin (as of July 2024 – Latest data available)

## H1 2024 marks the weakest half-year since 2014, with ongoing macroeconomic disruptions continuing to impact transaction volumes since 2022

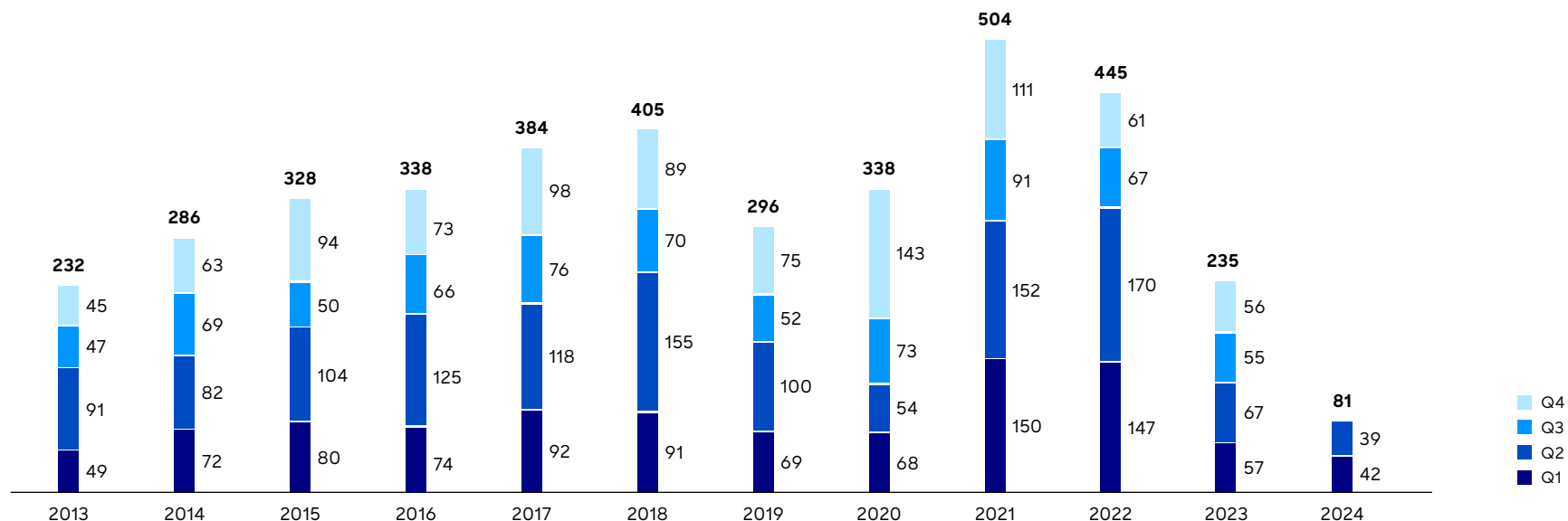
Q1 2024 was weakest quarter in terms of transaction volume since 2013, similar observations for Q2 2024. With buy-side investors remaining hesitant to invest at current high multiples and interest rates uncertain, the deal volume for 2024 could show a further decline after 2023.

### Nordics transaction volume by quarter

2013 – H1 2024 [# of deals] – Q1-Q2



2013 – H1 2024 [# of deals] – Q1-Q4



Note: Including completed buyout transactions (including add-on acquisitions) available in Preqin. Figures may include historic adjustments and reclassification.

Source: Preqin (as of July 2024 – Latest data available)

## With the PE market bottoming out in H1 2024, the outlook for H2 2024 and beyond appears more promising – The only way forward is up

Our outlook for the PE industry in H2 2024 and beyond includes continued stagnation in mid and large-cap investments, the increasing relevance of continuation funds alongside intensified refinancing activities, the growing importance of early screening activities and exclusivity, corporate carve-outs as an increasingly relevant lead channel for assets, and an ongoing pricing mismatch between the buy and sell sides.

### Key market dynamics in H1 2024



#### 1. Continued Stagnation in Mid and Large Cap Investments

- The anticipated rebound in mid-cap and large-cap investments, the latter almost entirely absent from the market for nearly two years, is projected to be further delayed into late H2 2024 and beyond.
- Meanwhile, the small-cap sector (below EUR 5-8 m in EBITDA) is expected to maintain greater resilience throughout the same period.



#### 2. Continuation Funds and Intensified Refinancing Activities

- Continuation funds have emerged as strategic tools enabling PE firms to extend investment periods, thereby maximizing value beyond traditional fund lifecycles.
- Concurrently, refinancing activities among PE-backed non-performing portfolio companies or when transactions are not expected to go smoothly are expected to intensify. These are also aimed at mitigating the impact of sustained high interest rates.



#### 3. Early Screening and Exclusivity

- With the expanding universe of PE players, auctions that start with 20+ potential fund buyers often narrow down to 5 or 6 serious contenders.
- PEs will increasingly focus on closer engagement with assets, sometimes resulting in auctions being preempted given early screening by and involvement of PEs and subsequent exclusive negotiations, especially for the limited number of high-quality assets on the market. This trend is likely to persist into H2 2024 given ongoing market stagnation in the mid and large-cap sectors.



#### 4. Corporate Carve-Out as a Lead Channel for Attractive Assets

- Corporate carve-outs are increasingly regarded as a lead channel for attractive assets in 2024 and beyond, as corporates revise strategies and prioritize core competencies or shareholders push for divestment of non-core or non-performing business units, presenting significant value creation potential for PEs.
- Establishing these businesses as standalone entities with dedicated management and revised strategies unlocks growth opportunities that are often overlooked within larger enterprises.



#### 5. Ongoing Pricing Mismatch between the Buy and Sell Sides

- In the recent past, we have seen a far-above-average number of failed and stalled transactions because of a pricing mismatch between the buy and sell sides.
- Given the continued stagnation in mid-caps and large caps in particular, we expect this trend to persist in H2 2024.

## We regularly provide studies, articles and reports on C-suite insights, private equity trends and ESG topics to inform decision-makers

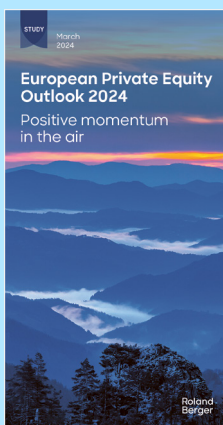
The current financial, economic and political environment has undoubtedly dampened the PE industry in the recent past. However, our outlook for H2 2024 is optimistic, as the PE market in the DACH region and Europe has bottomed out and is poised for growth. We regularly publish studies, articles and reports covering C-suite insights, private equity trends and ESG topics. Our aim is to furnish decision-makers with reliable information to inform their strategic decisions.

### Latest RB publications

#### European Private Equity Outlook 2024



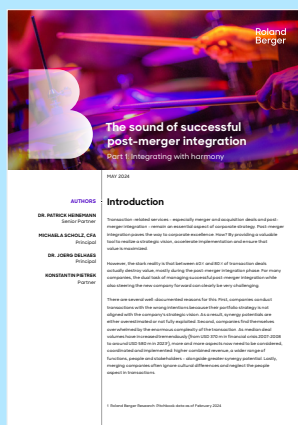
**Continued positive long-term outlook** for PE in the DACH region – More robust approaches to value creation and rapid innovation in liquidity solutions are needed to break the deadlock



#### The sound of successful post-merger integration



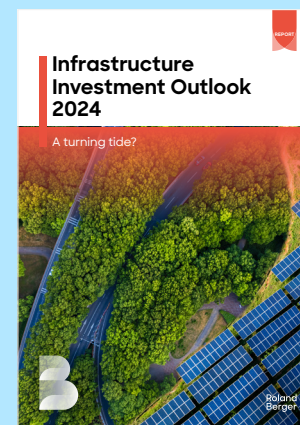
Keeping both businesses running while merging two entities into a **cohesive unit** with a **unified vision and mission** is challenging – Several key success factors must be considered



#### Infrastructure Investment Outlook 2024



Demand for capital to **develop long-term sustainable infrastructure** has never been greater. Thematic investments in energy transition, transport decarbonization, and the circular economy are set to persist





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