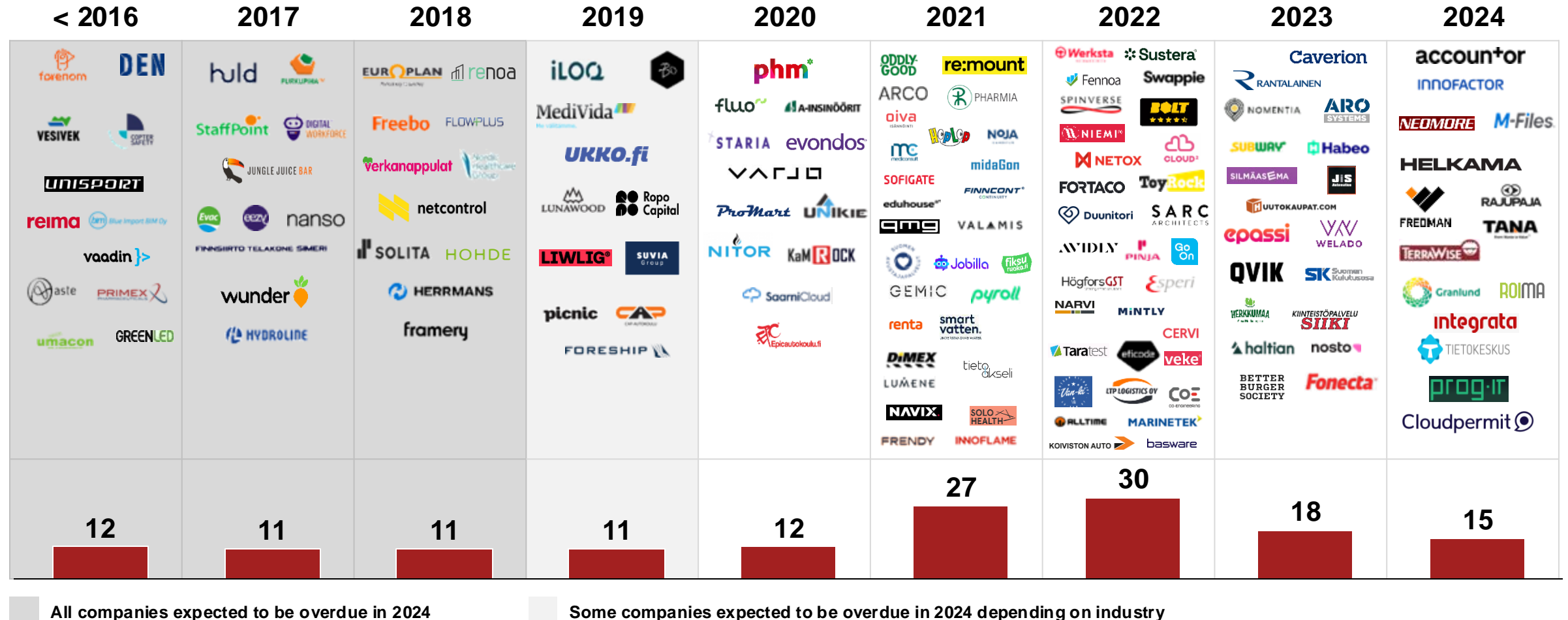

Pressure for Private Equity exits builds up

24 October 2024



Currently, there are ~150 Finnish PE portfolio companies with over 10 €m in revenue

Finnish PE portfolio companies by vintage, including companies with latest revenue over 10 €m

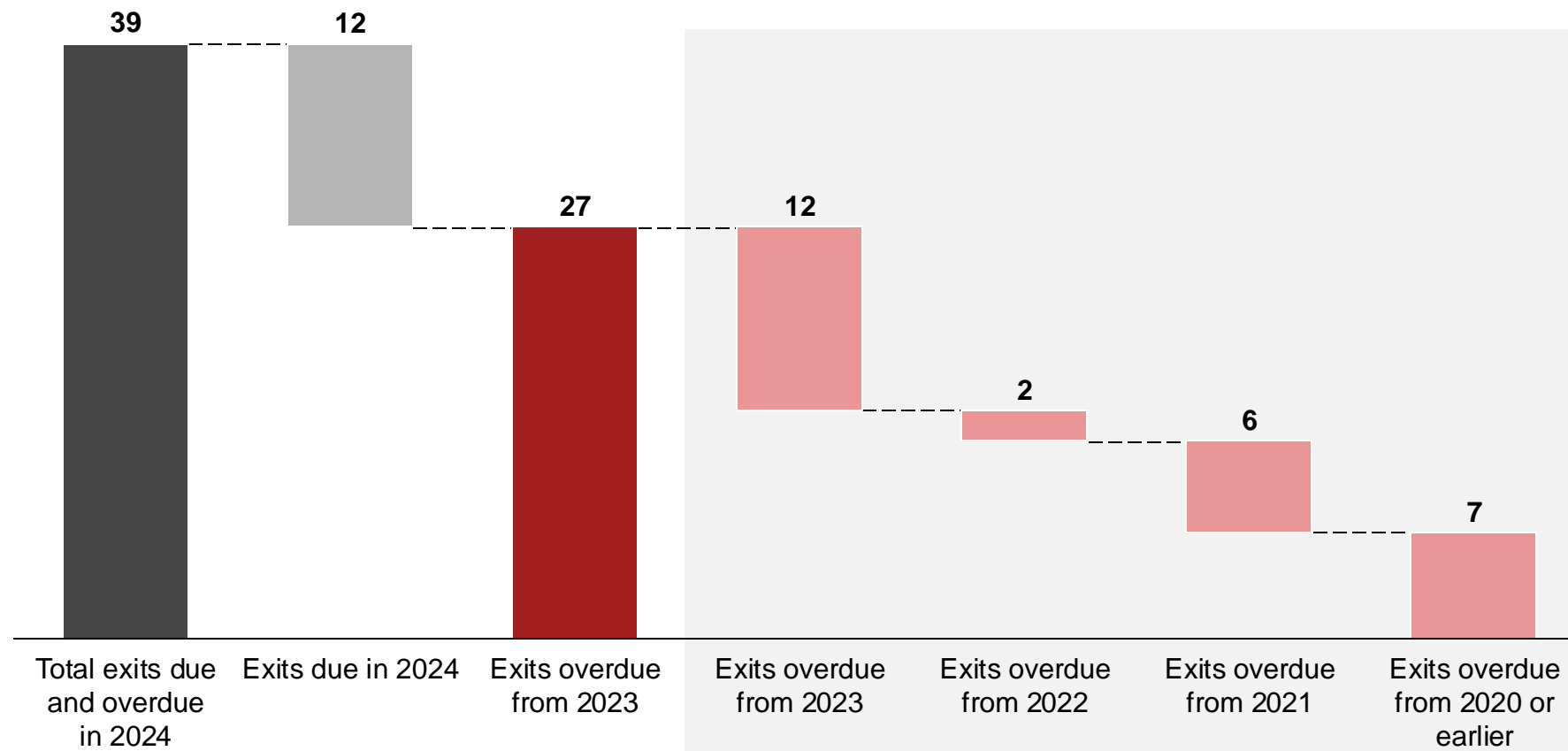




Pressure to exit is building up for PE funds with close to 40 current Finnish portfolio companies already due or overdue

Overview of PE portfolio companies due or overdue to exit in Finland in 2024

of companies with revenue over 10 EURm¹, 2024



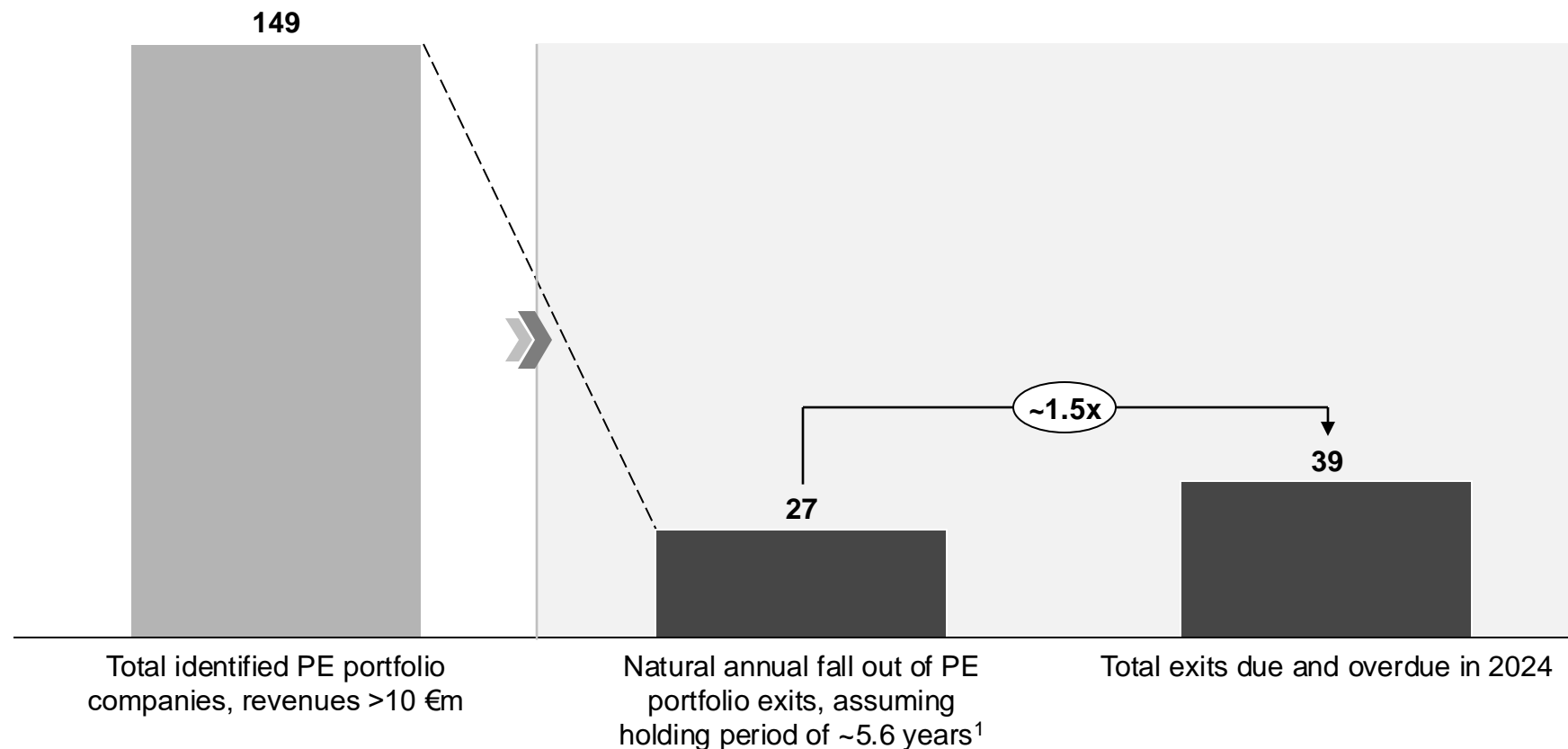
Methodology

- In our technical analysis, an overdue exit refers to private equity owned portfolio company with current holding period exceeding the historical average holding period for previous private equity investment in that same industry in Finland
- The industry specific historical average holding periods are calculated based on previous private equity exits of portfolio companies with over 10 €m in revenues at the time of the exit between 2005 and 2024

The estimated number of exits due or overdue in 2024 is ~1.5x larger than the typical count of exits expected per year

Comparison of PE portfolio natural annual fall out vs. estimated exits due and overdue

of companies with revenue over 10 EURm¹, 2024



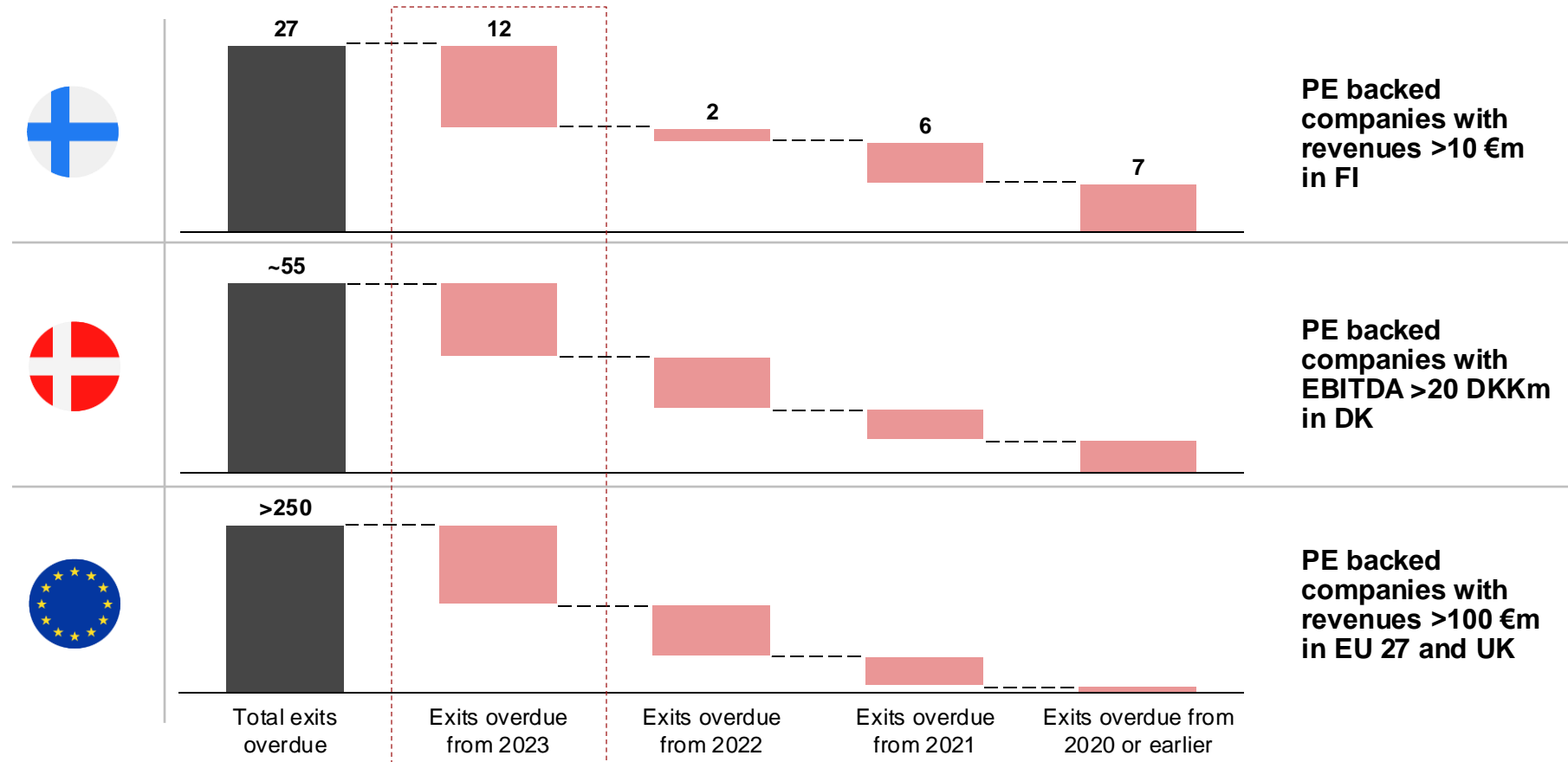
Key takeaways

- At a steady historical rate, **out of the current 149 identified portfolio companies 27 would be exited as natural annual fall out**, assuming an average holding period of ~5,5 years
- Our estimated number of exits due and overdue in 2024 are ~1.5x larger than the natural annual fall out, highlighting backlog in portfolio exits

Across Europe, PE funds have accumulated similar backlogs of overdue or postponed exits over the past years

Comparison of overdue exits in selected European markets

Overview of PE portfolio companies overdue to exit in Europe, DK and FI in 2024



Key takeaways

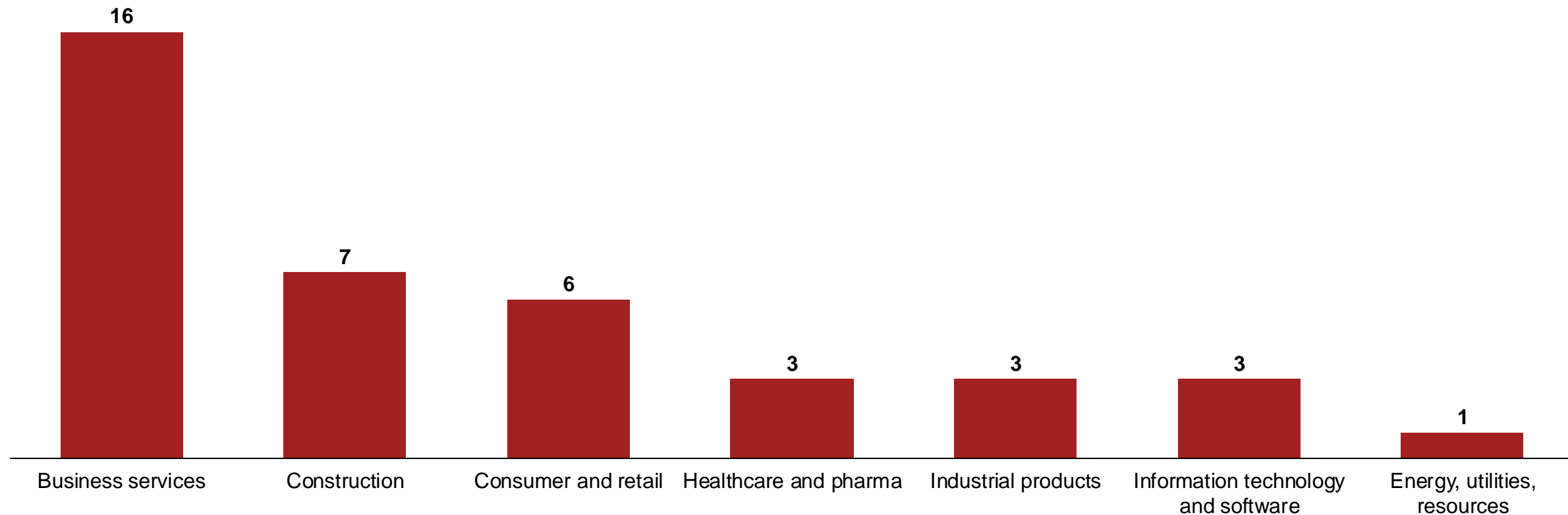
- Across European and over the past years, **PE funds have accumulated similar backlogs of exits** caused by the cost inflation and interest rate generated headwinds occurring since mid-2022
- **Most of the backlog**, in other words 40-50% of the overdue exits, **is from 2023**, which highlights that PE companies struggled to complete exits in 2022-2023



Most Finnish overdue exits are within business services, construction and consumer/retail

PE portfolio companies due or overdue to exit in Finland in 2024 by industry

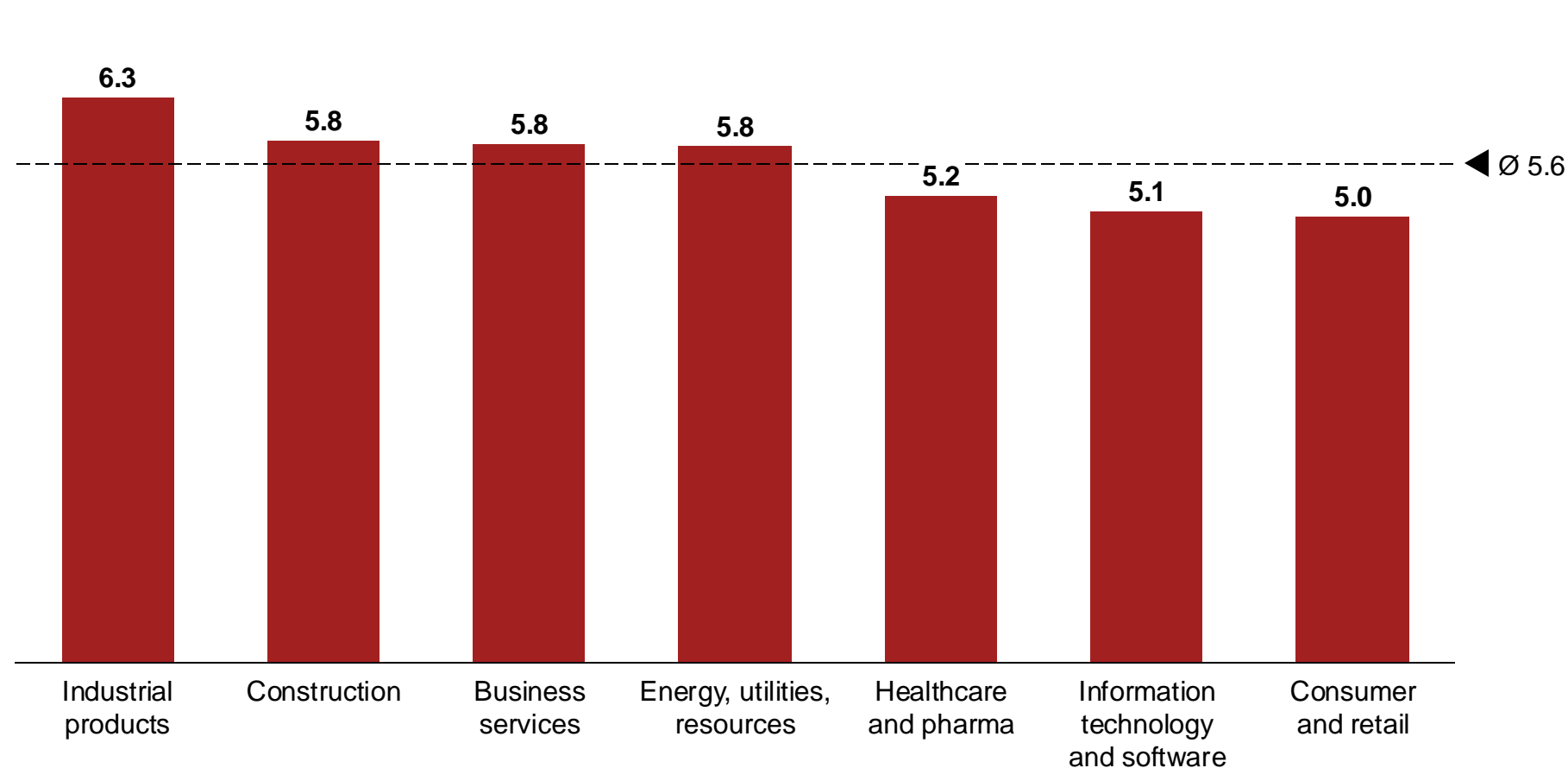
of companies with revenue > 10 EURm¹, 2024



In Finland, the historical average PE holding period is ~5.6 years, with variance across industries



Historical Finland PE average holding period by industry of companies with revenue > 10 €m¹
Number of years, 2005-2024



Methodology

- Identified PE exit transactions related to platform investments in Finland-headquartered companies between the period 2005-2024
- Calculated per industry from platform companies with revenues that exceeded 10 €m at the time of exit
- Triangulated estimated holding period with available market data and Strategy& / PwC resources



The outlook for unlocking exit opportunities and boosting M&A activity is showing positive signals

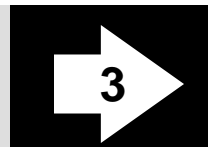
Key indicators supporting the positive outlook



- The profitability of portfolio companies is gradually improving driven by efficiency measures implemented, lower cost inflation as well as recovering market demand and macroeconomic outlooks



- The disparity in valuation multiples between buyers and sellers has slowed down the deal activity in Finland
- As the stock market stabilizes and recovers, the valuation gap between sellers and buyers is set to narrow down



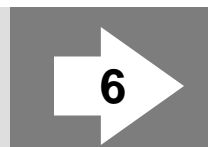
- An underperforming stock market has contributed to low transaction volumes in Finland, but the outlook is positive
- Rising valuation levels will create more favorable conditions for exits and M&A deal activity



- Several successful PE exits have already been completed over the past two quarters in Finland
- Successful auction processes with competing bidders driving up price levels build confidence among deal-makers



- During Q3 2024, the average stock market volatility was 17% for OMX Helsinki Index, delaying listing activity
- Improving economic outlook is expected to reduce volatility, attracting IPOs and enhancing investor confidence



- PE firms are under rising exit pressure as fund investors expect returns and the number of overdue exits builds up
- Addressing the gap between returns and new commitments necessitates new exits



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