

MID-MARKET

3i FOURSOME LAUNCH NEW GERMAN MID-MARKET FIRM

By Samuel Barton
Pinova Capital, a new, Munich-based private equity firm founded by four 3i veterans, has raised €96m towards its debut fund, targeting €150m. The firm held a first close in December on €50m and aims to reach a final close later this year.

The announcement comes despite a treacherous fundraising environment, particularly for new firms. While admitting that the current economic crisis had impacted the process, however, Pinova partner Katrin Brökelmann attributed the firm's success to reduced competition in the lower mid-market in Germany, as well as the founding partners' track record at 3i.

"It's always difficult with a first-time fundraising," she said. "But in Germany, investors still want an allocation to private equity. The small-cap segment has been neglected recently - most funds have outgrown it - and investors are now returning to the sector."

The fund will invest between €3m and €15m in companies with revenues of between €5m and €100m. It will primarily focus on the industrial and engineering sectors, as well as business services. The firm anticipates that around 30 per cent of the fund will be invested in



Die fantastischen vier: (from left to right) Brökelmann, Olbort, Maschek and Pelzer

environmental technology and services, including recycling and water purification businesses.

LPs, the majority of which are based in Western Europe, include Commerzbank, the European Investment Fund, BIP Investment Partners and KfW Bankengruppe.

The firm has yet to complete a transaction, but Brökelmann said deal flow was strong.

"We know the Mittelstand and

the German regions very well," she added. "It is a very decentralised market and this is an area where we expect to find interesting companies with growth opportunities."

Pinova was founded by Brökelmann, as well as Marko Maschek, Martin Olbort and Joern Pelzer at the end of 2007, and began fundraising around a year ago. The founders previously worked together for ten years at 3i.

VENTURE

NEXIT TOPS UP MOBILE FUND

By Peter Kneller

Nexit Infocom II has received an additional €10m in commitments from new Finnish Industry Investment-managed fund of funds Kasvurahastojen Rahasto Ky, taking the total amount captured by the wireless and mobile investment vehicle to €85m.

Nexit is set to announce a final close on Nexit Infocom II during the first half of 2009, though it is no longer expecting to achieve its original target of €100m, according to general partner Michel Wendell. "Of course fundraising has become somewhat more difficult, though we're fully operational at the level we are at now," he added.

The fund is focused on equity investments in early- and growth-stage mobile and wireless technology and service companies, primarily in the Nordic countries and the US.

Wendell described deal flow in all geographies as a "flood". Mobile services are particularly active, he added. "What we're seeing right now are things that address the operating systems issues between android and simian."

There is also demand for app stores from mobile operators and other service providers such as handset manufacturers. "There are hoards of people trying to address that opportunity - that is where big money is going to be made."

Initial investments will range from €1m to €5m, with up to €10m earmarked for each company in total. The fund has already made four investments.

"Mobile and wireless is one of those sectors that people can say with certainty over the next ten to 15 years is still going to represent big growth," Wendell said.

INDUSTRY RESEARCH

PRIVATE EQUITY IS MORE PRODUCTIVE

Private equity increases productivity faster than other forms of ownership, according to a study released by the World Economic Forum.

Productivity was found to rise by an average nine per cent in the two years after private equity acquisitions, compared to seven per cent for other ownership forms. The research analysed 5,000 US take-

privates between 1980 and 2005.

The reports concluded that buyout-backed transactions had outperformed in both benign and challenging economic conditions.

"Private equity firms are better than comparable firms in making the difficult choices of restructuring and shutting down poorly performing establishments in times of economic downturn," the report claimed.

The study found that two thirds of private equity's outperformance came from improvements at existing operations and only a third from shutting operations down.

It also found that private equity-owned companies are better managed in terms of operational, monitoring and incentive practices than government, family or privately-owned businesses.

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