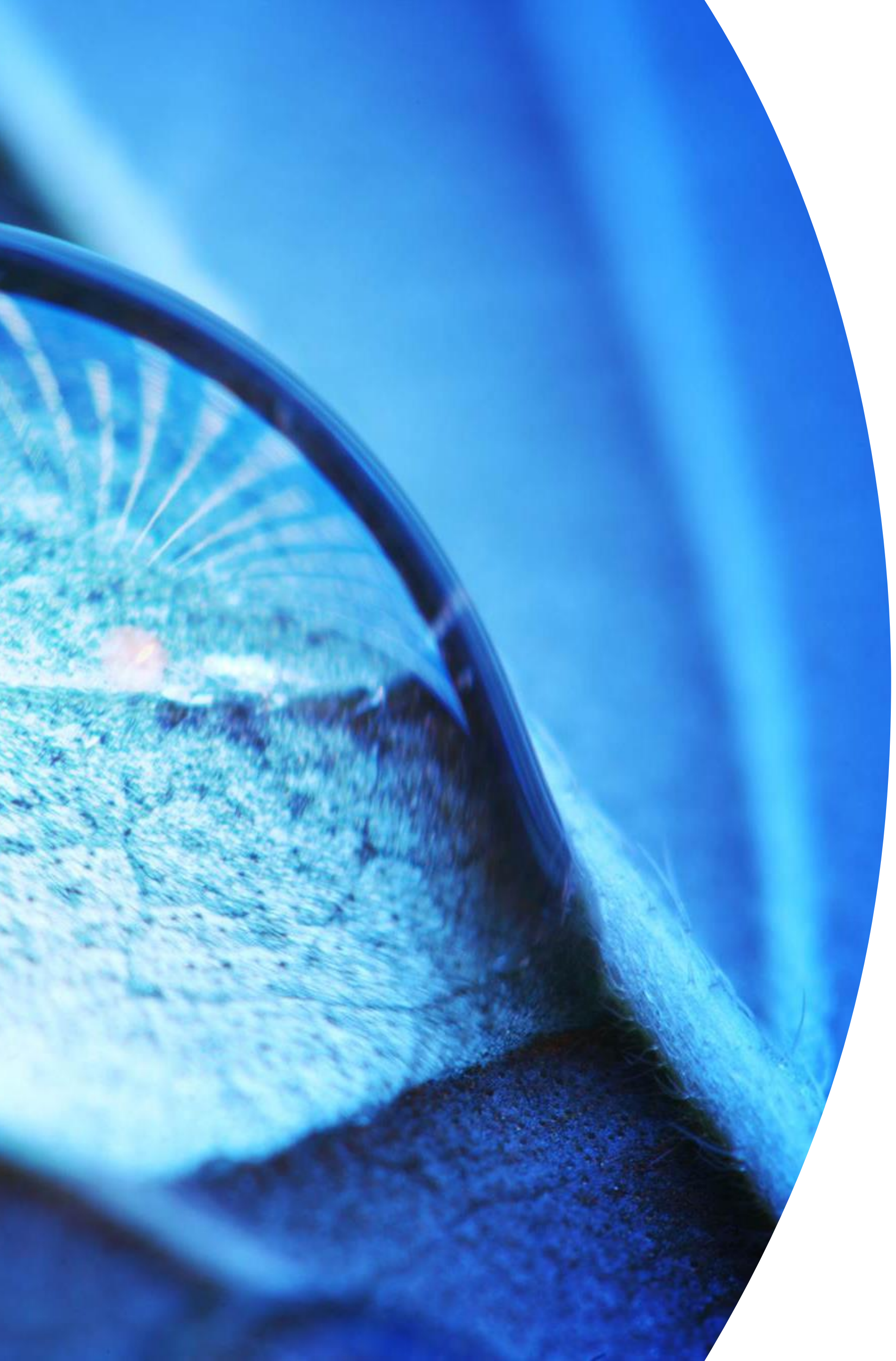
Tesi | 30 years

Tesi's Survey of Investment Returns

Finnish VC & PE Market

April 2025



Introduction

- Annually, Tesi publishes a comprehensive survey that examines net investment returns in the Finnish venture capital and private equity market (VC & PE). This survey is designed to provide general partners, investors, and other industry stakeholders with the most recent information on the sector's performance. First launched in 2018, the survey has been published consistently since 2021.
- The sample for this year's survey consists of 45 funds raised in Finland between 2009–2020 divided between buyout & growth and venture capital funds. The sample has been divided into two groups based on their initial year of inception (vintage year): Mature funds (19 funds formed between 2009–2015) and new funds (26 funds formed between 2016–2020).
- A more detailed explanation of the survey's methodology can be found on slides 23–25 at the conclusion of this document.
- Should you have any inquiries regarding this research survey, please do not hesitate to contact Tesi's Investment Associate, Arttu Suominen, at arttu.suominen@tesi.fi or +358 50 403 5626.

Summary: Main changes compared to previous survey

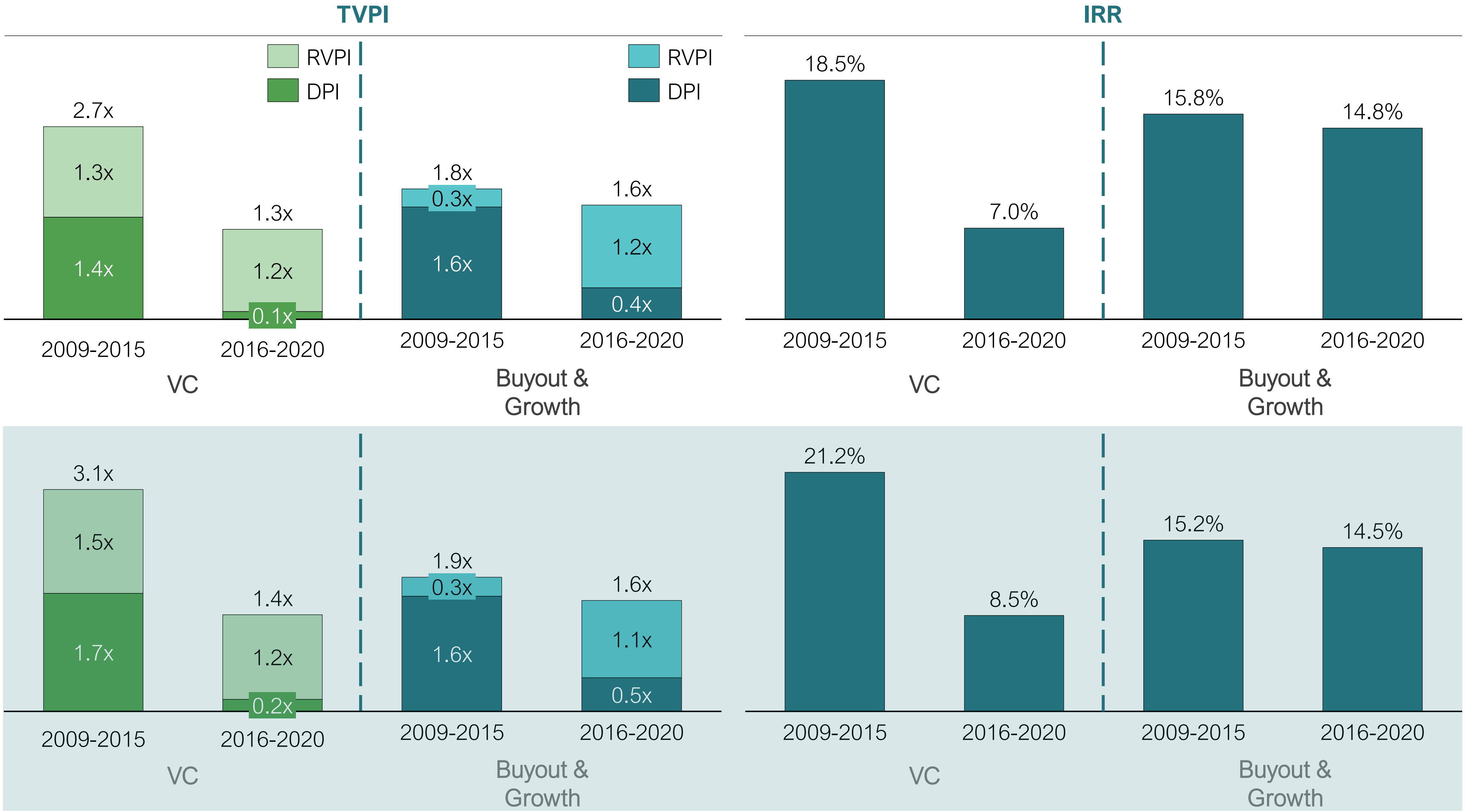
	MAIN FINDINGS IN PREVIOUS SURVEY	MAIN FINDINGS IN THIS SURVEY
VENTURE CAPITAL FUNDS	Despite consecutive annual declines in returns, mature venture capital funds continue to demonstrate resilient IRR, providing investors with strong annual yields. In contrast, new venture capital funds have seen a sharp drop in IRR, driven by falling market valuations and difficult exit conditions.	Although the returns have declined for the third consecutive year, the IRR for mature venture capital funds has remained at a solid level, continuing to offer investors an attractive annual yield. The IRR for newer venture capital funds has decreased significantly, driven in part by limited distributions and NAV development.
IRR[1] mature funds (inception 2009-2015)	20%	18%
IRR[1] new funds (inception 2016-2020)	11%	7%
BUYOUT & GROWTH FUNDS	Mature buyout and growth funds maintain stable returns, aligning with historical trends, with only slight IRR variations. Meanwhile, new funds show improvement, reaching a 13% IRR (up from prior years), though some portfolio companies remain valued near their acquisition cost.	In line with previous surveys, mature buyout and growth funds continue to show stable returns with minor fluctuations in IRR. A notably positive improvement in distributions was observed. The IRR of new funds continued its positive trajectory, supported by the value creation within portfolio companies.
IRR[1] mature funds (inception 2009-2015)	16%	16%
IRR[1] new funds (inception 2016-2020)	13%	15%

[1] Market-weighted

Summary: Returns from the Finnish PE & VC market by vintage group, 31 Dec 2024

MARKET WEIGHTED[1]

EQUALLY WEIGHTED[2]

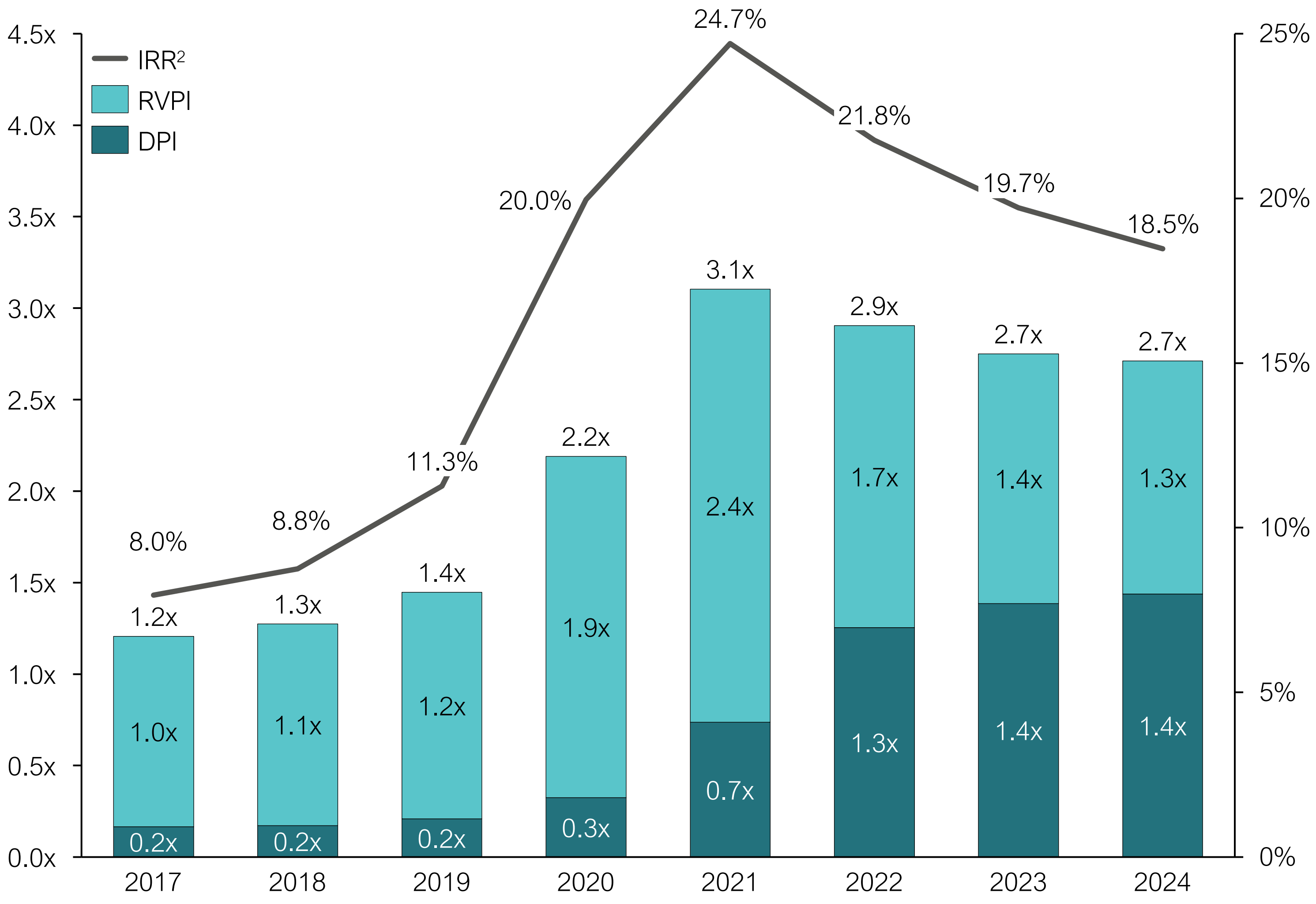


[1] Each fund is weighted according to its size when calculating returns → Market returns as a whole
[2] Each fund is equally weighted

Finnish VC funds

Performance of mature VC funds (vintages 2009–2015)

PERFORMANCE 2017–2024[1]

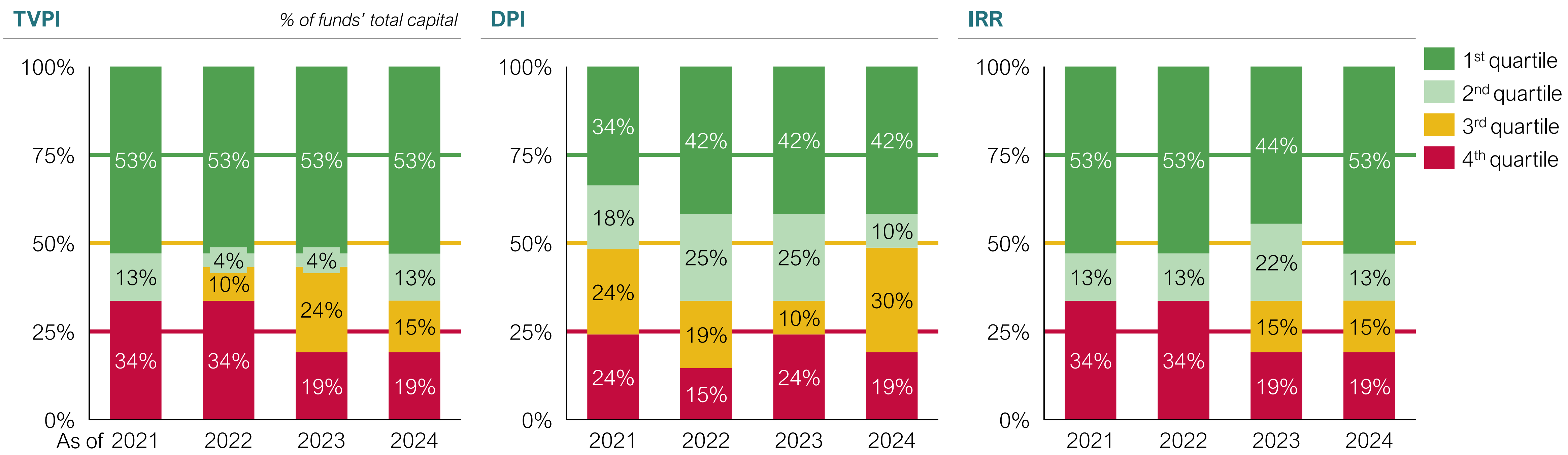


COMMENTARY

- In 2024, the total returns of mature venture capital funds remained steady at 2.7x, consistent with the previous year. However, the IRR decreased due to modest increase in distributions, though it remains at a solid level of 18.5 %. Overall, returns continue to be strong, supported by the robust performance in earlier years.
- The decline in total return levels, which began in 2022, has slowed. Valuation adjustments are now largely reflected in fund multiples, indicating that the most significant correction in company valuations has likely stabilized, as valuation levels have remained relatively consistent compared to the previous year.
- The number of up-rounds has declined significantly compared to the 2019–2021 period, limiting growth in net asset value (NAV) and overall return multiples. However, several notable up-rounds were still completed by Finnish companies in 2024, some of which are not reflected in the current sample.
- Attention has now shifted toward increasing the level of distributions, which remain constrained by an unfavorable exit environment. Nearly half of the funds' total value is still unrealized, awaiting more favorable market conditions, with considerable expectations placed on the reopening of the IPO market. In addition, the limited availability of scale-up financing in Europe further compounds the exit challenges faced in the market

[1] Market-weighted
[2] IRR does not represent returns for the year in question, but instead the group annualized returns from inception to the last day of the corresponding year

Mature Finnish VC funds’ performance compared to European peer group

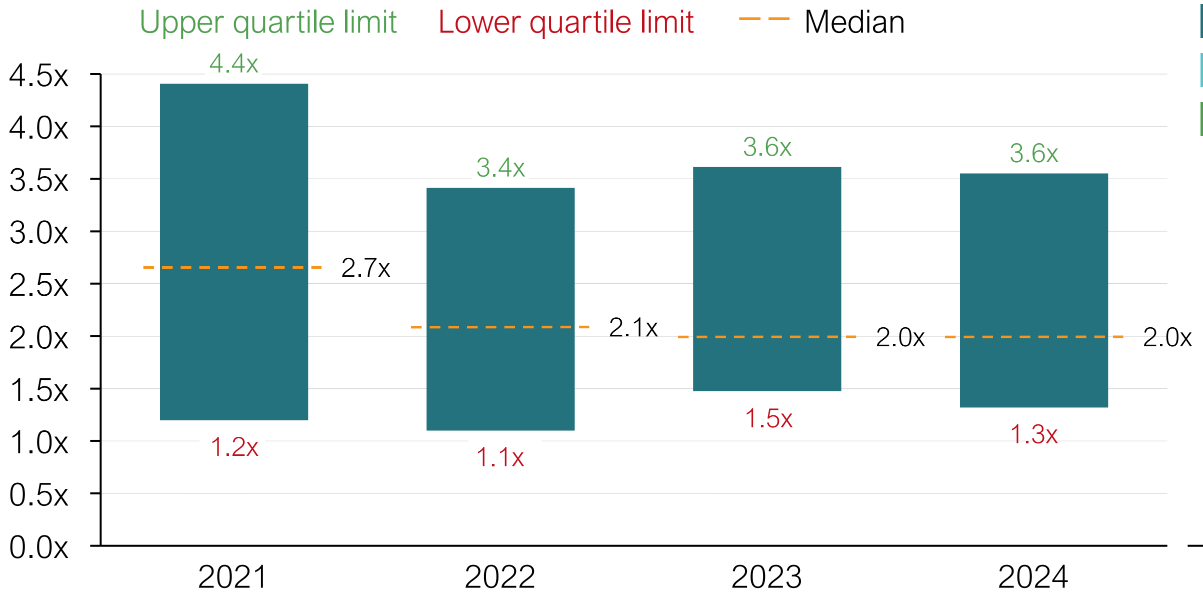


- In this comparison, each fund within a group is evaluated against its European counterparts[1] based on its return figures and vintage year, with the results compiled at the group level. If the Finnish market’s returns were perfectly aligned with that of the European reference group, each of the four colors would represent a 25% share.
- The quartile comparisons of mature VC funds against their European counterparts have remained strong for the whole observation period. Measured by the TVPI, over half of the capital continues to be placed in the first quartile, with the proportion slightly declining in the third quartile. Regarding DPI, the first quartile have maintained a strong level, with the share of the third quartile rising from the lower quartiles. In the IRR benchmark, there has been slight positive development in the first quartile.
- Despite ongoing market challenges, Finnish mature venture capital funds have maintained a strong position, outperforming their European peers. One contributing factor to this performance may be the presence of agile and focused emerging managers, who demonstrate a high level of ambition to prove their value to investors. Furthermore, Finland’s venture capital ecosystem remains relatively young compared to the broader European market, potentially offering lower entry valuations and reduced competition – complemented by a high-quality startup ecosystem.

[1] Benchmark: European medium- and small-sized venture capital funds; source: eFront.

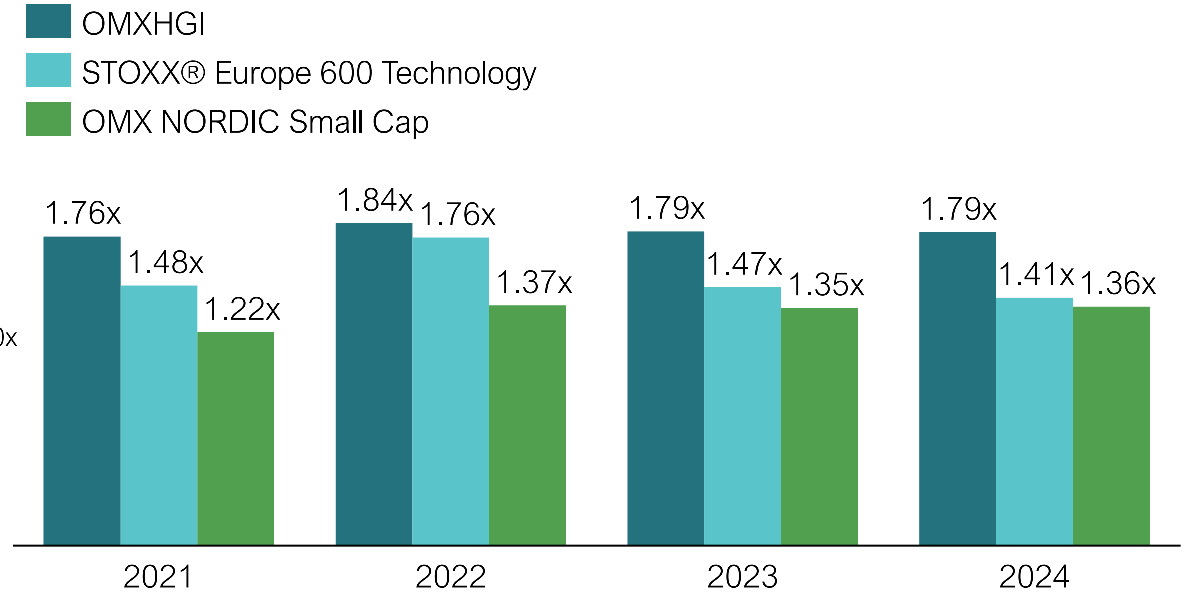
Distribution of mature VC funds' returns and comparison with the listed market

DISTRIBUTION OF RETURNS MULTIPLES (TVPI)



- From the previous year, return dispersion slightly widened, as the gap between the upper and lower quartiles widened from 2.1x to 2.3x – returning to 2022 levels. This suggests that the middle 50% of funds in 2024 had slightly more variable performance compared to 2023.
- The upper quartile remained stable at 3.6x, while the lower quartile declined to 1.3x, suggesting that top-performing funds sustained their return levels, whereas the performance of bottom-quartile funds weakened marginally.
- In 2024, the median TVPI for mature VC funds remains at the same level of 2.0x.

COMPARISON TO LISTED MARKET (PME)1

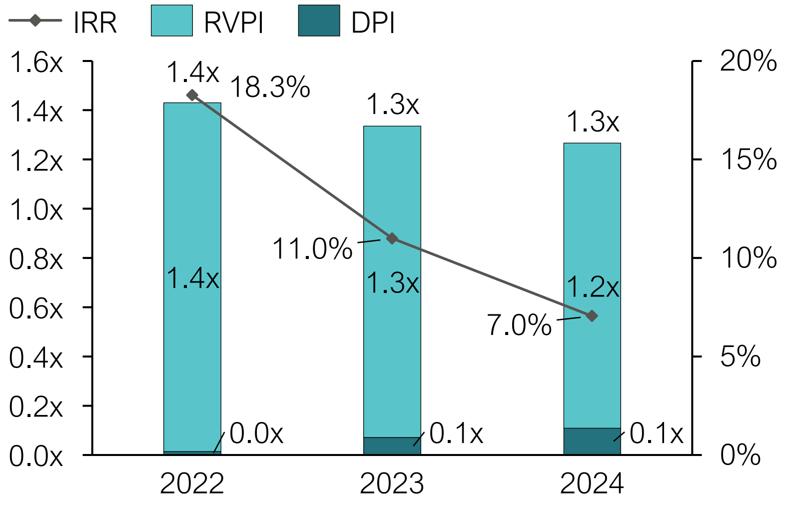


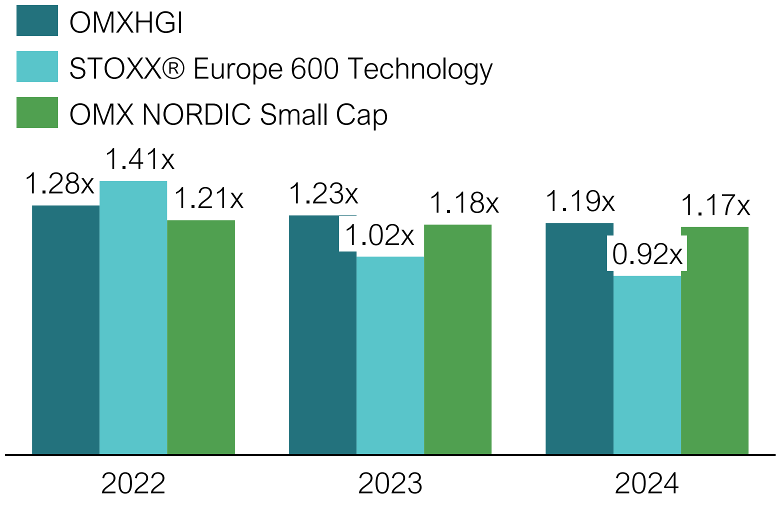
- In PME calculations, the cash flows of the funds are indexed against the public stock market. This approach offers a benchmark that illustrates the performance relative to investing in the listed stock market at the same time.
- In 2024, mature venture capital funds outperformed the public markets across all benchmark indices. The PME against the OMXHGI index remained steady at 1.79x, continuing to reflect a strong excess return relative to the listed market. When benchmarked against the STOXX Europe 600 Technology and OMX Nordic Small Cap indices, the funds achieved notable excess returns of 1.41x and 1.36x, respectively.

[1] The PME returns presented are market weighted. Calculation method Kaplan-Schoar PME (KS-PME). The annual figures represent cumulative totals from inception to the last day of the corresponding year.

Performance of new VC funds (vintages 2016–2020)

RETURN METRICS AND PME



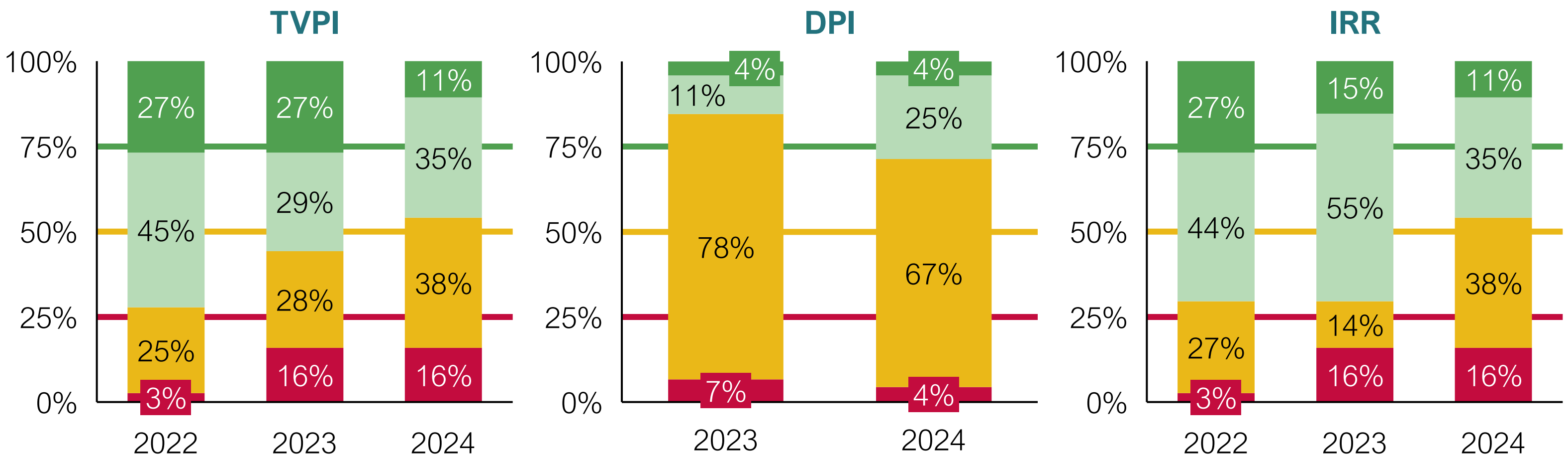


COMMENTARY

- The returns of new venture capital funds have, to some extent, remained at the same level as the previous year, with a TVPI of 1.3x. However, IRR have continued to decline, reaching 7%.
- The negative development in returns was primarily driven by cash inflows, as distributions remained low and valuation levels were relatively stable year-over-year, with only a minor decrease. The change in NAV accounted for approximately 18% of the overall decline in returns.
- The New VC funds performed better than the public indices, except for the technology index.

PERFORMANCE COMPARED TO EUROPEAN PEER GROUP

% of funds' total capital



COMMENTARY

- New venture capital funds have performed well in the second quartile in terms of TVPI and IRR. However, the overall share in the third quartile has increased, while the proportion in the first quartile has decreased compared to the previous period.
- DPI accumulation has been modest, with most funds in the sample, as well as in the benchmark, yet to generate any significant DPI. The majority of sample funds rank in the third quartile by DPI.

1st quartile
2nd quartile
3rd quartile
4th quartile

Tesi

[1] Benchmark: European medium- and small-sized venture capital funds; source: eFront.
[2] IRR does not represent returns for the year in question, but instead the group annualized returns from inception to the last day of the corresponding year

Venture capital: Key findings

- Despite the prolonged challenging market and geopolitical conditions, mature venture capital funds have demonstrated resilience, maintaining favorable total return levels at 2.7x, consistent with the previous year. However, the difficult market environment has slowed the pace of fund distributions, which remain low, with DPI staying at 1.4x of the total value of the funds, similar to last year. The weak exit market has particularly impacted IRR, which settled at 18.5% in 2024. Additionally, valuation levels have remained stable, suggesting that the most significant corrections in valuations may be behind us.
- The mature VC funds have consistently outperformed their European counterparts, with over half of the capital allocated in the upper quartiles throughout the observation period and multiples. TVPI and IRR benchmarks show that up to 66% of the capital is allocated to the upper quartiles while the share in the third quartile has slightly increased in DPI, the first quartile accounts for 42% of capital. Mature VC funds outperformed the listed market across all benchmark indices maintaining the PME multiples at the similar level as previous year.
- The returns of new venture capital funds have continued to decline. In particular, the IRR has dropped significantly compared to the previous year, driven by weak exits and accumulating capital calls. The total return multiple has, to some extent, remained at the same level, primarily due to cash inflows, low distributions, and modest NAV adjustments. Despite this, the total return multiple remains at a moderate level, considering that the funds are only now entering the harvesting phase and are navigating an exceptionally challenging exit environment. The current market emphasizes the ability to generate value within a more demanding financing and operating environment.
- It is also noteworthy that the market weight of the sample of the new venture capital funds is skewed towards the later years of the time series, meaning that a significant portion of the sample is still in value creation phase. As such, it is premature to draw definitive conclusions at this time.

Finnish buyout and growth funds

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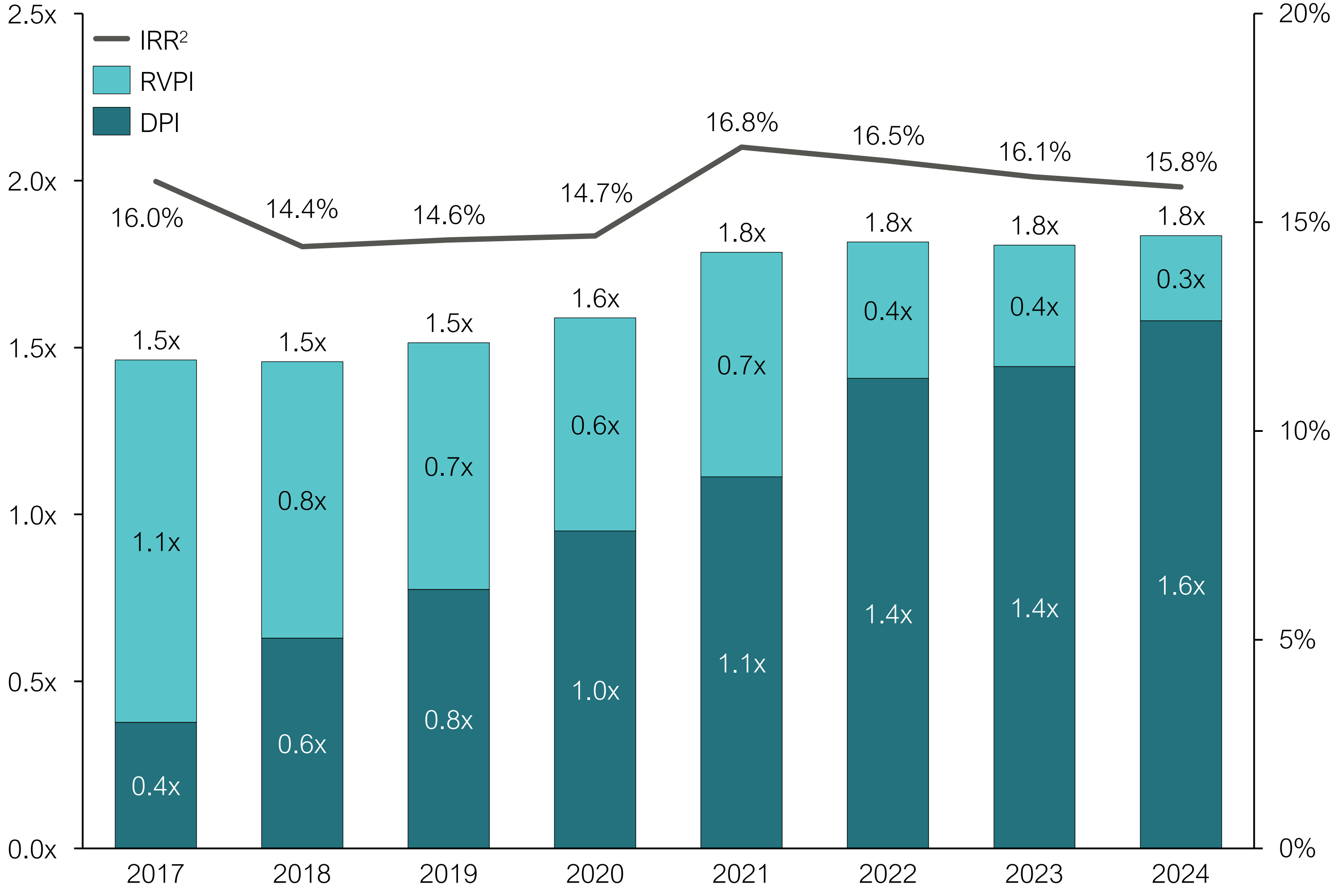
Performance of mature buyout and growth funds (vintages 2009–2015)

PERFORMANCE 2017–2024[1]

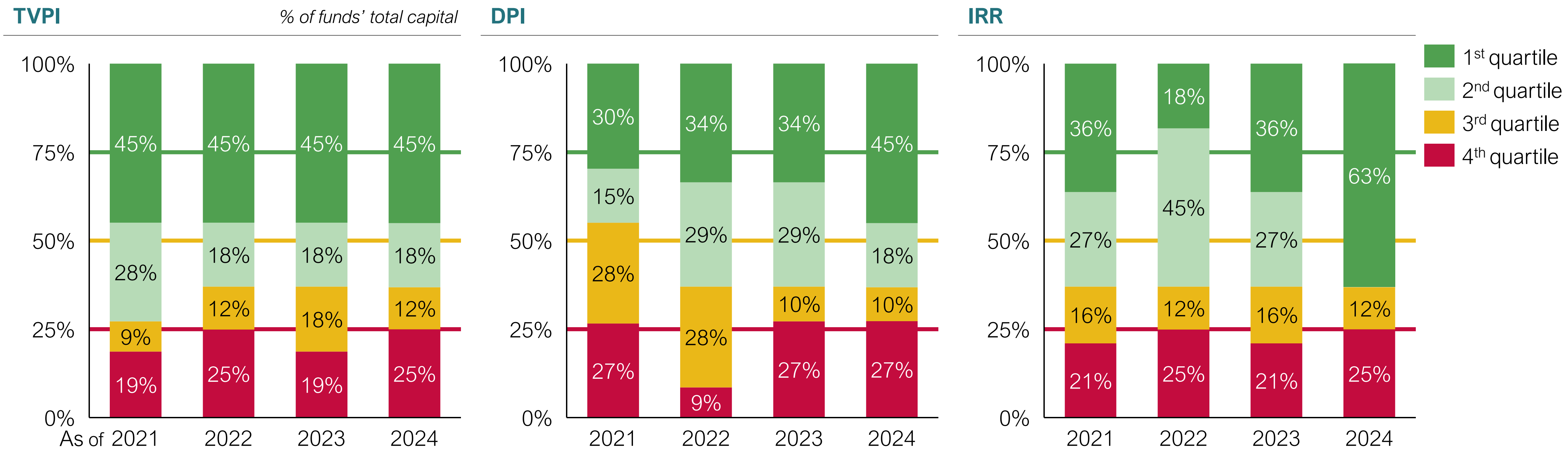


COMMENTS

- Distributions of mature buyout and growth funds picked up in the latter part of 2024, rising from the previous year's 1.4x to 1.6x. Despite a challenging market environment, funds have achieved successful exits, with the majority of the funds' total value already realized. Only 0.3x of the total value remains unrealized.
- TVPI saw a modest increase compared to the prior year, reaching a solid level of 1.8x. Given that exit premiums are at lower levels than in previous years, a significant increase in TVPI is unlikely unless there is an exceptional recovery in the exit environment.
- IRR has remained relatively stable throughout the observation period, standing at 15.8% in 2024. It is now to some extent possible to draw conclusions about the final performance of the sampled funds, which have delivered strong returns.
- Furthermore, the underlying portfolios still contain high-quality companies with robust valuation levels. At the same time, many mature portfolio companies are awaiting exits. As the exit market improves, these portfolio companies can be expected to exit relatively quickly from the remaining portfolios.

[1] Market weighted
[2] IRR does not represent returns for the year in question, but instead the group annualized returns from inception to the last day of the corresponding year

Mature Finnish buyout funds' performance compared to European peer group

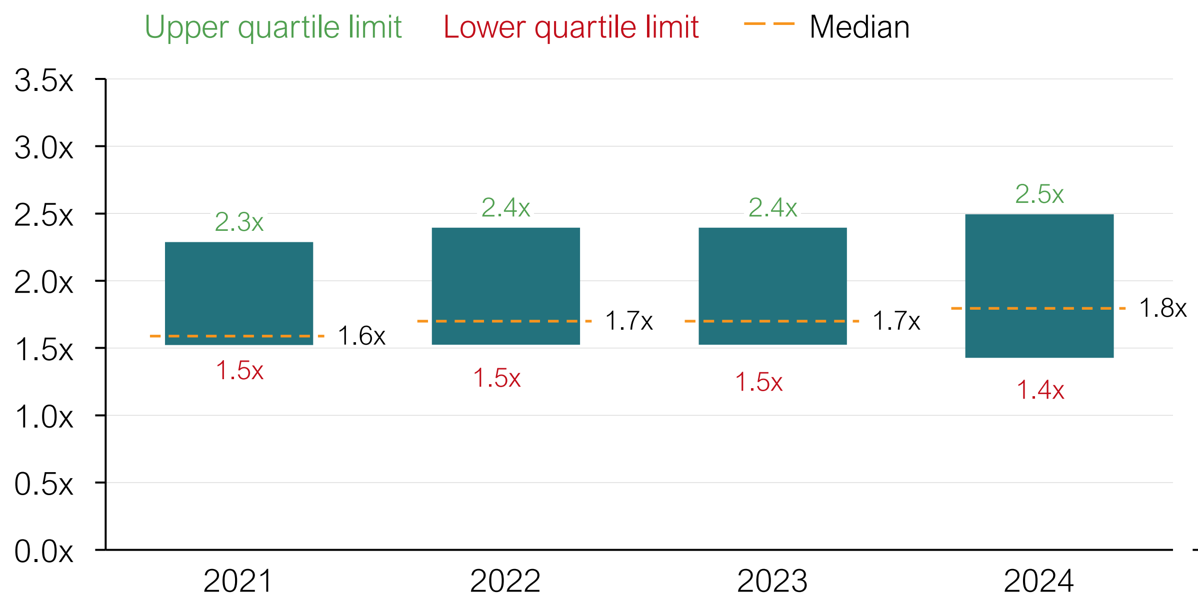


- In this comparison, each fund within a group is evaluated against its European counterparts[1] based on its return figures and vintage year, with the results compiled at the group level. If the Finnish market's returns were perfectly aligned with that of the European reference group, each of the four colors would represent a 25% share.
- The benchmark comparison of mature buyout and growth funds demonstrates strong performance relative to European peers across all return metrics throughout the entire observation period. Over 60% of the sample's capital has been allocated to the upper quartiles, with particularly positive developments in DPI and IRR within the first quartile. This suggests that Finnish funds have been more effective in returning capital to investors than their peers in 2024.
- European medium and small-cap funds are relatively larger within their category compared to those in Finland, which may partly explain the better exit capability of Finnish funds in a challenging market, particularly in relation to smaller-sized deals as historically, smaller funds have outperformed their larger counterparts. On the other hand, funds from the Nordic countries have also been observed to outperform regardless of fund or deal size, indicating the presence of high-quality GPs and a favorable market environment for building companies.

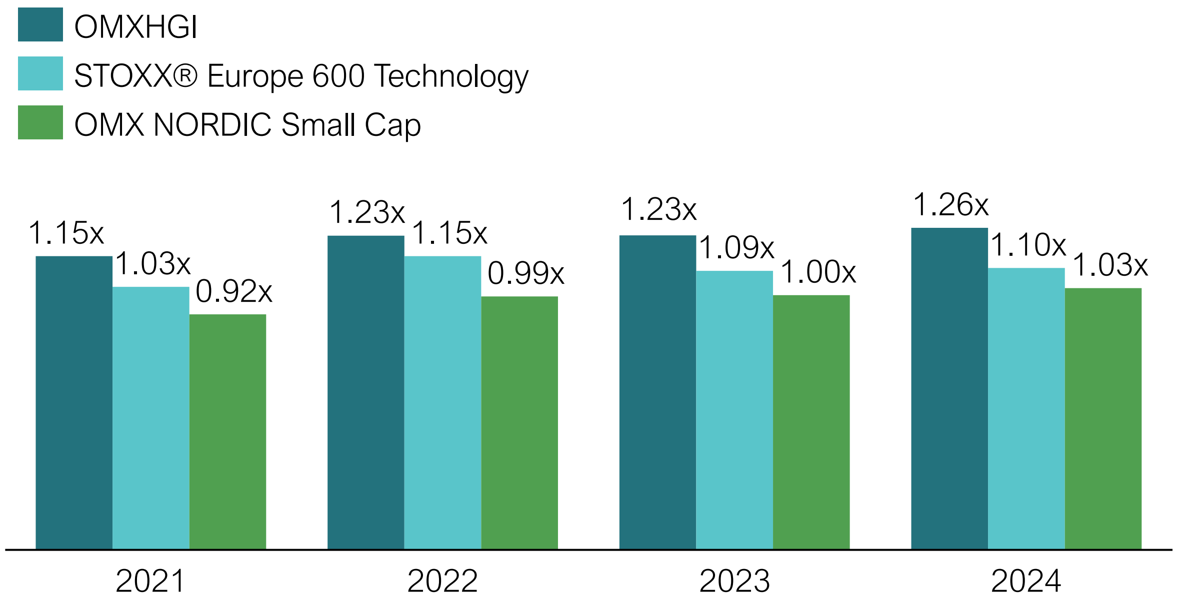
[1] Benchmark: European medium and small-cap buyout funds; source: eFront.

Distribution of mature buyout and growth funds' returns and comparison with the listed market

DISTRIBUTION OF RETURNS MULTIPLES (TVPI)



COMPARISON TO LISTED MARKET (PME)1



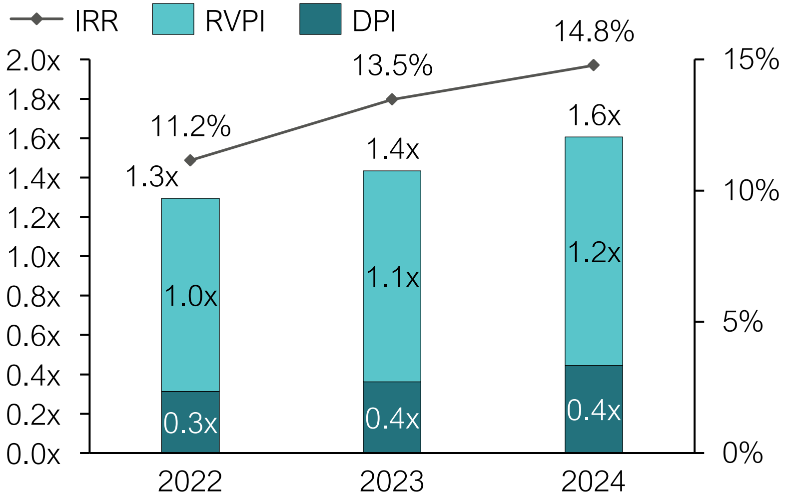
- Compared to the previous year, return dispersion slightly widened, with the difference between the upper and lower quartiles increasing from 0.8x to 1.1x. This indicates that the central 50% of funds in 2024 experienced slightly greater variability in performance compared to 2023.
- The upper quartile slightly increased to 2.5x, while the lower quartile decreased to 1.4x. This suggests that top-performing funds improved their performance, while bottom-quartile funds performed slightly worse.
- The median TVPI for mature buyout and growth funds had a modest improvement at the level of 1.8x.

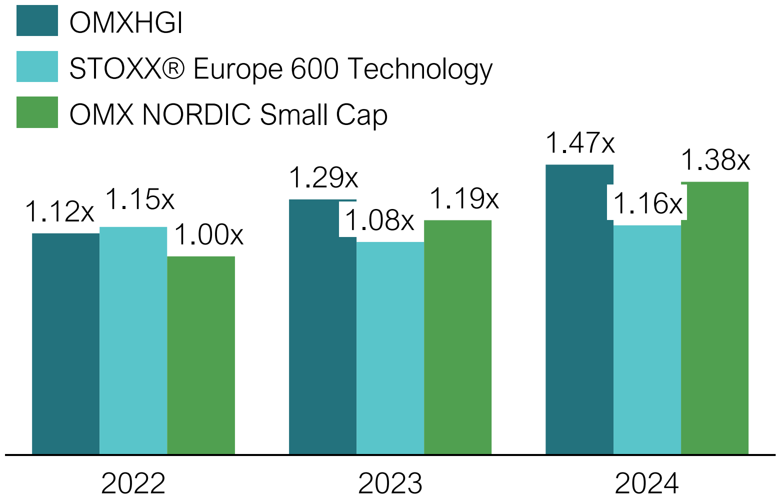
- In PME calculations, the cash flows of the funds are indexed against the public stock market. This approach offers a benchmark that illustrates the performance relative to investing in the listed stock market at the same time.
- Mature buyout and growth funds outperformed the listed market in 2024. However, when compared to the Small Cap index, the outperformance was only marginal. One reason for this relatively modest outperformance may be that a significant portion of distributions occurred during a period when market indices were at their peak – considerably higher than at the time capital calls were made. Simultaneously, the median EV/EBITDA multiples in Nordic buyout transactions have remained relatively low, further impacting return potential.

[1] The PME returns presented are market weighted. Calculation method Kaplan-Schoar PME (KS-PME). The annual figures represent cumulative totals from inception to the last day of the corresponding year.

Performance of new buyout and growth funds (vintages 2016–2020)

RETURN METRICS AND PME



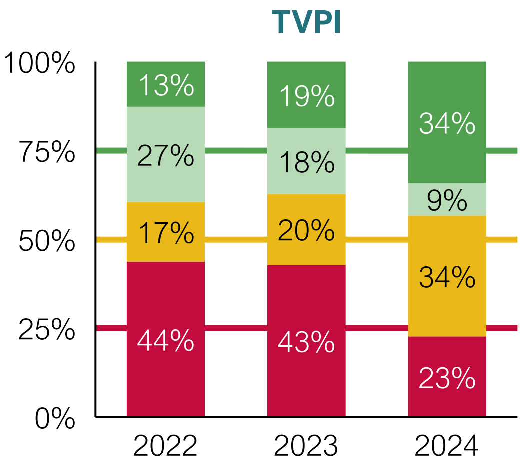


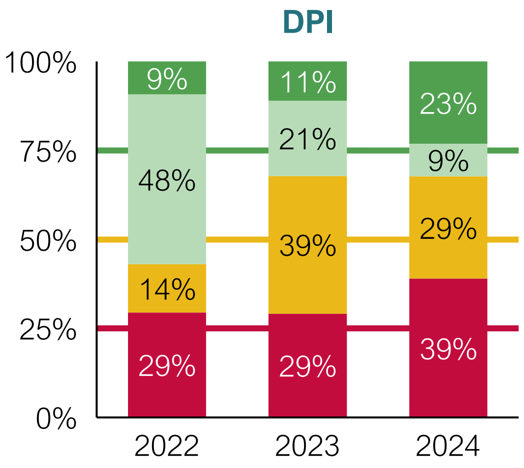
COMMENTARY

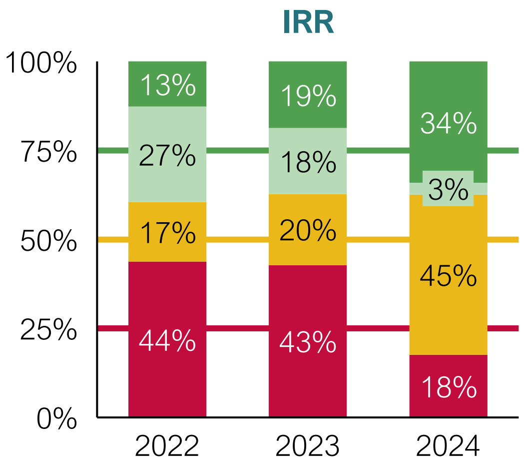
- Performance of the new Finnish buyout and growth funds have improved well with TVPI rising to 1.6x and IRR raising to 14.8%.
- There has been only slight growth in distributions in 2024, with the DPI ratio still standing at 0.4x.
- The valuations of the portfolio companies have shown moderate growth, and the portfolios appear to be on a good trajectory.
- The sample funds have outperformed their benchmark indices, driven in part by positive NAV growth and a modest increase in the pace of distributions compared to the previous year.

PERFORMANCE COMPARED TO EUROPEAN PEER GROUP

% of funds' total capital







COMMENTARY

- In 2024 the Finnish buyout and growth funds are well presented in the first quartile in terms of TVPI and IRR. In terms of DPI, the peer group has been more effective in returning capital to investors compared to the Finnish funds.
- The median DPI level of the benchmark is low, particularly among the younger funds in the sample, which means the quartiles will fluctuate significantly during the following years.

1st quartile | 3rd quartile
2nd quartile | 4th quartile

Tesi

[1] Benchmark: European medium and small-cap buyout funds; source: eFront.
[2] IRR does not represent returns for the year in question, but instead the group annualized returns from inception to the last day of the corresponding year

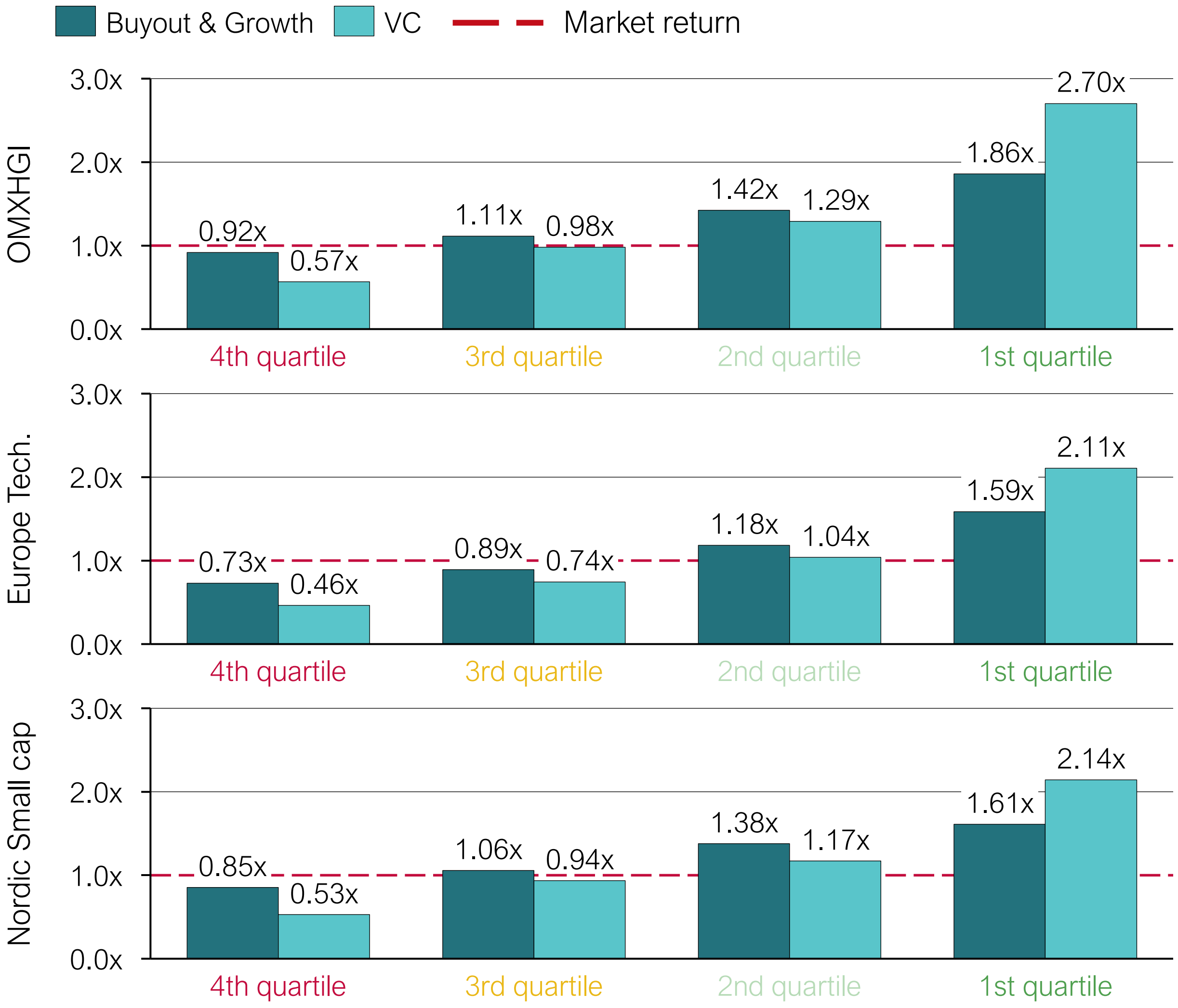
Buyout and growth: Key findings

- The performance of mature Finnish buyout and growth funds has remained consistent throughout the observation period, offering an attractive asset class for investors. After exceptionally low exit activity in 2023, 2024 saw a notable recovery. This rebound was partly driven by a more favorable financing environment compared to the previous two years. Additionally, an increase in secondary buyout deals in 2024 suggests a narrowing of bid–ask spreads, as sellers are better adjusted to current valuation levels. Funds maintained a TVPI of 1.8x, with remaining value representing 0.3x of the total value. The IRR stood at 15.8%, demonstrating stability over the entire observation period.
- Finnish buyout and growth funds compare very favorably to their European peers. Over 60% of committed capital was allocated to the upper quartiles, reflecting the strong value creation capabilities of Finnish fund managers. In PME comparisons, the funds outperformed public market indices, although the margin of outperformance was modest in certain cases. Mature buyout and growth funds offer an attractive return distribution, characterized by relatively narrow dispersion and solid return multiples, making it easier for investors to identify and select successful managers in the market.
- The new Finnish buyout and growth funds improved their TVPI to 1.6x, with IRR increasing to 14.8%. However, growth in distributions remained limited, as value-creation initiatives within portfolio companies are still underway and a broader recovery of the exit market is awaited.
- Compared to their European peers, the new funds still have room for improvement. While TVPI and IRR are at strong levels in terms of first quartile, the lower quartiles remain overrepresented. It is important to note that significant changes may still occur in the benchmark, as many of the funds are still in the early stages of their lifecycle.

PME & Liquidity analysis

PME analysis – whole fund population raised between 2009–2020

AVERAGE PME'S (TVPI QUARTILE)

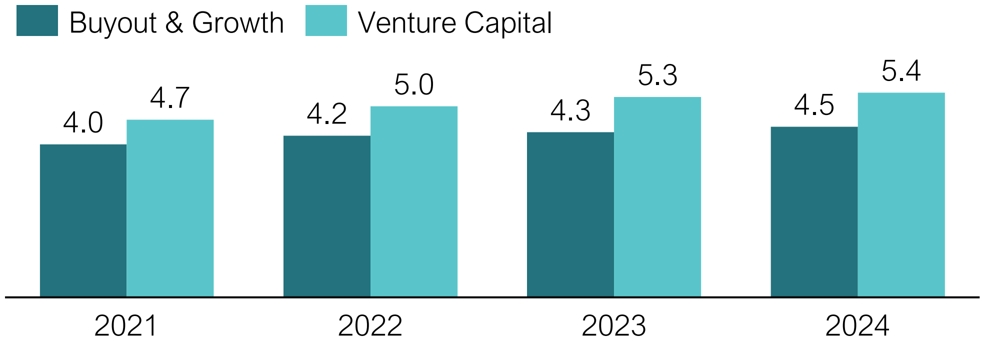


COMMENTARY

- The graphs on the left illustrates the average PMEs for each TVPI quartile, encompassing both buyout & growth and venture capital funds raised in Finland between 2009–2020. The sample comprises a total of 45 funds, 22 buyout and growth funds and 23 VC funds.
- For buyout & growth funds the average PME for above third quartile funds exceeds 1x in OMX Helsinki total return index and Nordic small cap index, indicating that 75% of the Finnish buyout & growth funds have generated higher returns compared to these indices. Half of the VC funds in the sample have, in turn, outperformed every benchmark index.
- The average PME for venture capital funds in the top quartile is a commendable 2.7x when compared to OMXHGI and ~2.1x when compared to European tech and Nordic small cap indices. The top quartile buyout and growth funds achieved notable overperformance relative to benchmark indices, reaching 1.9x on OMXHGI and 1.6x on European tech and Nordic small cap indices.
- The higher variance in returns of VC funds is also reflected in the strong fluctuation of PME across different quartiles. The performance of buyout and growth funds is more consistent across quartiles, driven by their different risk profile compared to VC.
- In conclusion, Finnish funds have outperformed the public market from the second quartile upwards, and in some cases even from the third quartile upwards. This demonstrates that the market includes a broad range of high-performing funds, and that returns are not driven solely by a small number of large funds. Funds in the fourth quartile and partly in the third quartile, however, have underperformed relative to the listed market.

Liquidity analysis - fund population raised between 2009–2015

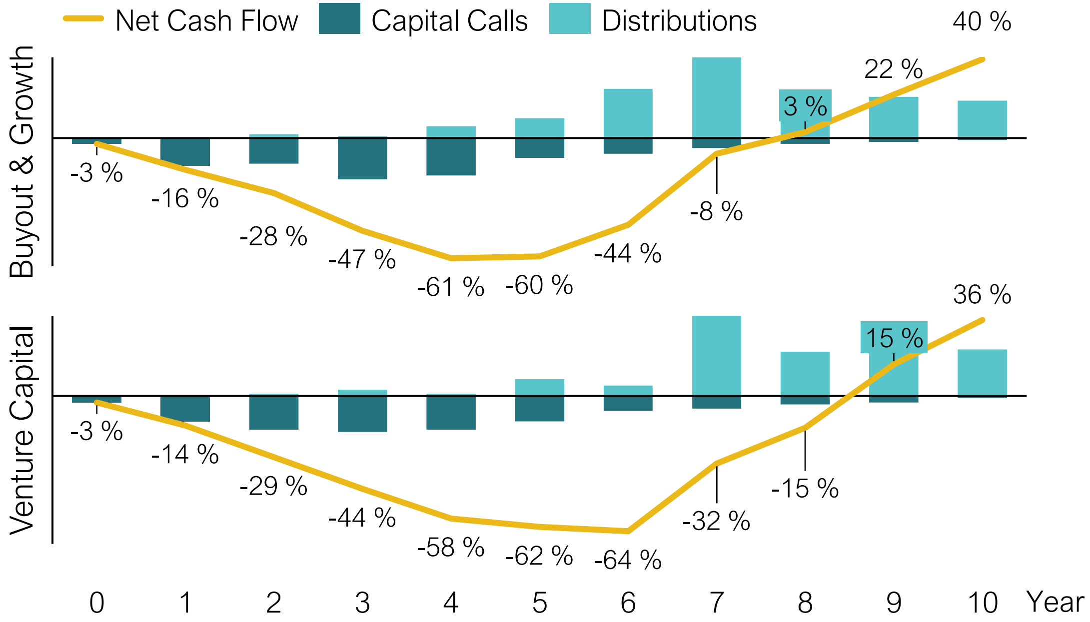
TIME-TO-LIQUIDITY[1] IN YEARS



COMMENTARY

- The time-to-liquidity metric quantifies the average duration between a capital outflow and inflow within a fund, effectively translating a fund's performance metrics into an estimated holding period. It provides investors with insights into the capital efficiency of a strategy, based on its current growth rate (IRR) and total value multiple (TVPI).
- Based on current TVPI and IRR figures, it would take approximately 4.5 years for buyout and growth funds to return the remaining value of their portfolios, while the corresponding period for venture capital funds is approximately 5.4 years. The upward trend observed from 2021 to 2024 reflects an increasingly challenging exit environment.

POOLED AVERAGE CASH FLOWS FROM THE FIRST 10 YEARS[2]



COMMENTARY

- The figure presents pooled cash flows by strategy from the first 10 years of mature funds. A 10-year time series has been used to ensure that all funds in the sample are represented across the time period.
- The figure illustrates that buyout and growth funds return capital more quickly, reflecting a more efficient capital turnover compared to venture capital. The portfolio companies of buyout and growth funds tend to be more mature, and in many cases, significant dividends can be distributed prior to a full exit. This contributes to the shorter capital recycling period.
- Venture capital funds tend to return capital at a slower pace, as portfolio companies generally require more time to mature. However total returns are higher in venture capital.
- Buyout and growth funds have returned investor capital by year 8, whereas VC funds have achieved the same in 9 years.

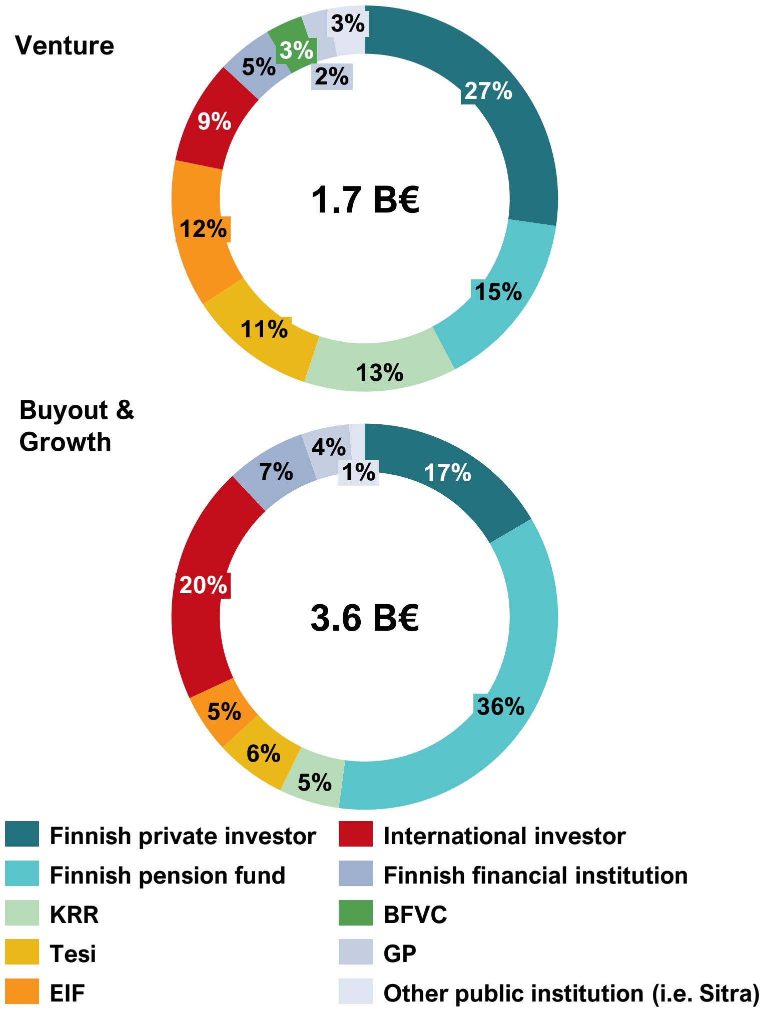
[1] Time-To-Liquidity formula: $TVPI = (1 + IRR)^T \rightarrow T = \frac{\ln(TVPI)}{\ln(1+IRR)}$

[2] Each fund is equally weighted

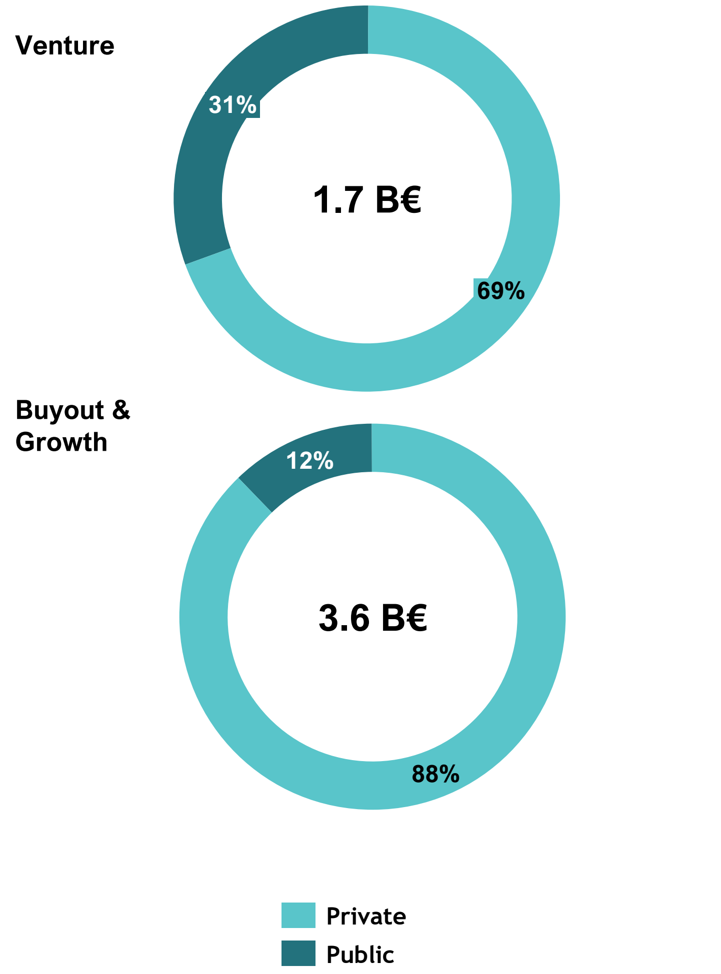
Investor base

Investor base of Finnish funds: Funds raised between 2009–2020

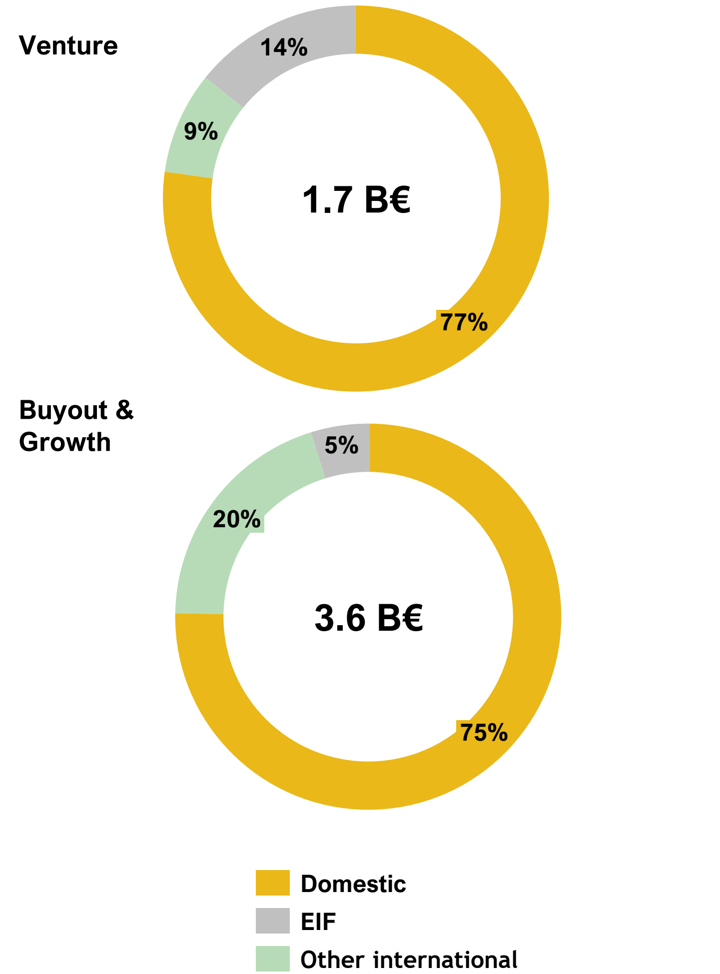
INVESTORS



PRIVATE & PUBLIC



INTERNATIONAL & DOMESTIC



Methodology

Methodology

DATA TYPE

- The return data is calculated based on cash flows at the fund level, with individual portfolio company investment returns not included in the presentation.
- All figures displayed represent net return figures for fund investors (LP; limited partner), meaning that management fees, performance fees (carried interest), and other expenses payable to fund investors have been deducted from the returns on individual portfolio company investments.

DATA SOURCES

- The return survey is based on data obtained from Tesi's fund investments. Additionally, information has been accessible in some instances for funds in which Tesi has not invested.
- The survey includes funds managed by Finnish management companies that operate with national or international investment strategies.
- Only funds primarily investing equity have been incorporated into the survey. Debt and mezzanine funds, for example, are not part of the sample.
- The survey's sample comprises 45 funds, with an average size of around EUR 100 million (ranging from MEUR 15 to about MEUR 250).

PRESENTATION OF RESULTS

- The survey sample is categorized into venture capital funds and buyout & growth funds.
- Additionally, the funds are grouped based on their inception year, with mature funds being those established between 2009 and 2015, and new funds from 2016 to 2020.
- It is important to note that the returns of individual funds cannot be discerned from the aggregated returns presented in the survey.

Methodology: Q&A

WHY ARE RETURNS PRESENTED IN GROUPS THAT INCLUDE FUNDS ESTABLISHED IN SEVERAL DIFFERENT YEARS?

- The Finnish market is small, so funds are not established regularly. Most years, only individual funds are established so it would not make sense to examine returns based on individual years. If individual years were examined, the returns of individual funds would be revealed but no conclusions on the performance of the market as a whole could be drawn from the returns of individual players. By grouping funds, we try to provide the most realistic and balanced picture possible, despite the small size of the market. Each fund's returns are still benchmarked against their own vintage.

WHY ARE NO NEWER FUNDS INCLUDED?

- VC & PE funds typically have a five-year investment period during which the funds invest in new companies. After the initial investments, portfolio companies will be developed, follow-on investments will be made (especially in venture capital), and funds will eventually make their exit. The target period from the establishment of the fund to the exit from the last portfolio company is 10–12 years, but it can often be longer. Concrete development of funds' performance based on the development of portfolio companies can typically be seen in about five years, when the funds' first investments have been active for some time, and the funds no longer invest in new companies (which are typically valued at acquisition cost for the first 1–2 years). Consequently, we have decided to limit the sample to funds set up in 2020.

WHY ARE UNREALISED GAINS SHOWN?

- Due to the operational logic described above, it takes a long time to obtain figures for the final realised returns of the funds, so showing only realised returns does not give a true picture of the current market. Obtaining an up-to-date market snapshot thus necessitates monitoring partially unrealised returns. The funds report in accordance with international IPEV Valuation Guidelines[1] that specify the fair value criteria for valuing investments. Therefore, there is relatively good comparability of reported valuations.

[1] http://www.privateequityvaluation.com/Valuation-Guidelines & https://www.investeurope.eu/industry-standards/professional-standards/investor-reporting/

Concepts used in this presentation

FUNDS' OPERATING MODEL	○ Venture capital and private equity funds buy shares in unlisted companies and actively participate in the development of their portfolio companies. The fund is managed by a **general partner (GP)** and the fund's investors are usually **limited partners (LP)**. ○ The fund is operated by **an administrator / a management company**. One management company can have several different funds, but usually only one of the funds makes new investments at a time, while more mature funds are in the value development / exit phase. ○ Fund investors pay **a management fee** to the administrator / management company for investing in their funds and, if the return exceeds a certain pre-defined minimum level, also a share of the fund's return as **a performance fee**. ○ Typically, the fund has **a term** that lasts for 10–12 years. The first five years of the term form **the investment term** during which the fund makes **initial investments**, i.e., investments in new portfolio companies. Investors do not transfer their funds to the fund all at once, but rather **capital calls** are made to transfer them gradually as investments are made. At the end of the investment term, **follow-on investments** can still be made, in companies in which the fund has already invested. Venture capital funds in particular often make follow-on investments. As the portfolio companies develop, they (or shares in them) are sold and the proceeds are **returned** to investors. The aim is to sell the last investments in 10–12 years, but if that is not possible, the term will be extended.

THE CONCEPT OF RETURNS

TVPI	*DPI+RVPI = Total Value to Paid-In = (Distributions + Net Asset Value) / Paid-In capital*
DPI	*Distribution to Paid-In = Capital distributed to investors / Paid-In capital*
RVPI	*Residual Value to Paid-In = Current market value of unrealized investments / Paid-In capital = TVPI - DPI*
IRR	*The annual return of the fund from its inception until the time of review; internal rate of return. The calculation addresses all cash flows (capital calls and distributions) from the fund's inception to the last date of the review period, and the fair value of the fund unit on the last date*
PME	*Returns compared to the public market; corresponds TVPI, but deducts returns from the public stock market during the same time period = (Index-adjusted Distributions + Current market value of unrealized investments) / Index-adjusted Paid-In capital* [1]
Quartile	*In fund comparisons, the observation set is usually divided into quartiles. The 1st quartile consists of the best 25%, the 2nd quartile consists of the second best 25%, the 3rd quartile the next best 25% and the 4th quartile consists of the lowest 25%.*

[1] Kaplan-Schoar PME (KS-PME)