

Unfinished business – portco potential prompts Equip continuation vehicle

Xhulio Ismalaj 3 September 2024, Article in Real Deal

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Real Deals spoke to Equip’s managing partner Sverre Flåskjer and partner Andreas Lysdahl on their newly-formed €306m continuation vehicle

Having completed almost 40 bolt-on acquisitions to build trampoline park provider Rush and IT cloud services provider Iteam, the founders of Nordic lower midmarket investor Equip Capital were faced with a dilemma.

With its Equip Capital Fund I 99% drawn, the GP was confronted with the option of having to forego the potential for further value creation from the buy-and-build strategy that had already helped expand both portcos, or seek to raise fresh capital. They chose the latter, opting to raise a continuation vehicle to continue the growth of both portcos.

The firm last week [announced the divestment](#) of the two assets to its newly-formed €306m vehicle Equip SPV, with follow-on capital of €90m raised as part of the transaction to fund bolt-on acquisitions and organic initiatives.

“Many raise continuation vehicles simply because they are facing the end of the fund lifecycle. That’s not the case at all here,” Equip co-founding partner Andreas Lysdahl tells *Real Deals*.

“For where we were, we didn't have the capital to support these two companies anymore, so the pace of the value creation would have diminished over time.”

“We needed more capital to continue, and our job is to make that available and find that pocket of capital. We feel that we have done that in the best possible way with the raising of this fund.”

The sales of the Norwegian portcos Rush and Iteam mark the first exits from Fund I at more than six times invested capital, almost paying its LPs back the entire fund, which closed on €180m in December 2020.

The businesses went through a competitive auction in which there were several bids, with the highest setting the price.

LPs

Existing investors were granted the option to reinvest into Equip SPV and take part in the next cycle or take liquidity.

“We've been very, very transparent all along. Before starting the process, we spoke to all of our LPs and took it through our LP advisory committee, so they have been very happy with the way we handled it,” says Equip co-founding managing partner Sverre Flåskjer.

“There has been strong investment support from our existing LPs. According to placement agents we’ve spoken to, it’s definitely well above what we have been told is the average in the market at the moment.”

Lysdahl points out that responses by LPs were largely shaped by differing appetites for liquidity: “The fundraising market is characterised by a hunger for liquidity, so, obviously some LPs are

happy to see that, while some others are happy to continue investing in a different situation. They're all different.”

Paris-headquartered investor Committed Advisors, which has €6bn in AUM, acted as sole lead investor in the transaction, alongside Schroders Capital as a cornerstone syndicate underwriter.

“Committed Advisors is a really good quality name. They were actually the first LP we met, we hit it off from the start and they just ran away with it, leading the process all along and making a very good impression,” says Flåskjer.

Additional capital was raised from existing investors, as well as a group of new institutional investors, management teams and entrepreneurs. Equip also made a capital commitment to the continuation fund.

Assets

Founded in 2016 and headquartered in Høvik, Rush currently has 57 parks across Norway, the UK, Germany, Denmark, Sweden, Finland, Hungary and the Netherlands, and has completed 16 bolt-on acquisitions since 2019.

Narvik-based Iteam, meanwhile, has 39 offices across Norway, and has completed 19 accretive acquisitions to date. The portco has grown its recurring revenue base from 40% to about 50%.

Both assets have potential to continue executing on their buy-and-build strategies as they operate in fragmented markets, Flåskjer says.

The managing partner, who represents Equip on Rush’s board, says the trampoline business has grown in revenue as it completed greenfield developments of new parks, adding that capital was needed to pursue a “profitable” growth path.

Further, with about 1,000 parks across Europe, according to Flåskjer, there is still plenty of potential for bolt-on acquisitions.

Established in 2018, Equip Capital now has 12 employees and a total AUM of NOK8.6bn (€739m) across three fund vehicles. Its portfolio currently consists of 17 Nordic consumer and business services companies.