Year-end Report January-December 2019

Wednesday, 12th February 2020

Introduction

Christian Sinding

CEO and Managing Partner

Thank you very much and also a very warm welcome from me to the Year-end Report for EQT. This is our first financial report since our IPO and it follows up the Q4 announcement which we released on January 23rd, which probably most of you also listened to. Today, it is going to be primarily me and Kim, our CFO, presenting, while Caspar, COO, also our Head of Shareholder Relations, and Pavan[?], also in Shareholder Relations, are attending and will be answering questions.

So, taking a step back to reiterate that EQT is a purpose-driven company. So, the financial results we are reporting today are really an effect of our commitment to future-proof companies and make a positive impact. Our vision is to be the most reputable investor and owner and our mission, as you can see there on the screen, is really through our talent and our network and our thematic investment approach to work every single day to create superior returns for our customers and also make a positive impact with everything that we do.

Record Year

The next page recapping 2019, primarily on the investment side, starting there. It was a record year, with our total investments by the EQT funds amounting to €11.9 billion, which is up 38% versus last year. Now, the market does remain competitive, with high multiples for assets, but we continue to find attractive companies where EQT can really add value and drive superior returns for the long term.

Our good investment pace was as a result of the focus on thematic investing in the prioritised sectors, and in private equity that is primarily healthcare, TMT and services, while we also have energy and environmental and transport and logistics in our infrastructure business. On the exit side, it was quite a busy year, with gross fund exits of €8 billion, which is up 58% versus last year.

Following the deal which was announced earlier this week by Infrastructure IV to invest in Deutsche Glasfaser – a very exciting investment in the fibre space in Germany – the investment level at Infrastructure IV has actually increased to 70-75%. Given our investment pace in that fund, we have initiated work to find solutions to bridge or extend that existing fund, or by also using the secondary market. That is in process but still in an early stage. We of course want to make sure that we have sufficient capital in place to continue to make investments in Infrastructure IV through this initiative. As I mentioned last time, we do prefer not to raise two of our flagship funds at exactly the same time, both for internal reasons but also for customer service reasons, so therefore we are working on this bridge alternative.

For EQT VIII, the investment level remains at 70-75%, which is the same as a few weeks ago in the Q4 announcement, and we did set the target for EQT IX at €14.75 billion. That fundraising is going according to plan and, as you might know, due to marketing rules, we cannot comment further on that fundraise at this point in time.

On the value-creation side, in our key funds this develops according to plan and one of the infrastructure funds is still above plan, and Kim will come back to that later. That again is due to our intense focus on driving value creation in our companies. A critical part of our value creation plan has centred around sustainability. It is really integrated in everything that we do in our investment process and during the ownership phase and we are now also raising our ambitions to take our sustainability efforts to the next level, both for ourselves as a company but also, importantly, for the portfolio companies in the EQT funds. I will come back to this a little bit more later.

The record year is also reflected in our financials. Our adjusted revenues for the full year increased 54% to €606 million and adjusted EBITDA grew to €275 million, up from €156 million a year earlier. With that, the board is proposing a dividend of SEK 2.2 per share, which will be paid in two instalments during 2020 and this corresponds to the €200 million dividend that we communicated during the IPO process.

Reflecting on the current market environment again, we do see a healthy pipeline of investment opportunities across the board in all of our investment strategies and we do also see a relatively supportive exit market for high-quality companies and a continued fairly good fundraising environment as well. Having said that, there is some uncertainty in the market relating to the Coronavirus. That may affect certain exits in certain companies in our portfolio or others, but we have not seen a material effect yet. For EQT, our exit pipeline is strong, but it is tilted towards the second half of this year.

Differentiated and Sustainable Investment Approach

As I stated, the financial results are an effect of our commitment to future-proofing companies and making a positive impact, and we want to take a step back and talk a little bit again about how we drive our returns. We really have a set of differentiators that sets us apart from competition.

First of all, we are intensely focused on future-proofing through thematic investing, which is really following long-term, secular trends across our investment strategies. We do this with our 'local-with-locals' infrastructure, if you want to call it that. We are investing in each country with local people, using our global thematic approach. Our governance model is also unique, with our industry-leading network of industrial advisors, where industrial advisors are always driving a lot of the board work together with the EQT teams. On our value-creation toolbox, we have really institutionalized our approach to value creation, whilst staying entrepreneurial, and we call that the EQT way, and we have a number of tools for the team to use to really drive value creation in private companies.

Importantly, we have a lot of focus on sustainability and digitalization. This is a part of the future-proofing strategy. We have in-house resources for both of those areas and, like I said, we are integrating sustainability every day more and more into how we do and what we do. We also use it for deal selection and driving value-creation plans and even setting up the companies for exit. We are guided there by the UN's Sustainable Development Goals and what that means is that we only make an investment when we conclude that a company's product or service is actually delivering a positive impact or where it has potential to deliver a positive impact on societies through the transformational support that EQT can provide. We ask kind of a rhetorical question: if you have two companies that are exactly the same and one is more sustainable than the other or can become more sustainable than the other, which one will be more attractive over time? Which one will be more interesting to work for? Which one will attract the most talent? Clearly, we believe it is the one that is going to be the more sustainable one.

On digitalization, we are also continuing to invest a lot in both our Motherbrain effort and our own internal automation and digital business development.

We do not think this is enough, so as a market leader in the private market space, we believe we have an opportunity, and an obligation actually, to accelerate action towards sustainable business practices, so we have decided now to elevate our societal ambitions. As a first step, we are setting new targets for EQT AB in transparency and accountability, on diversity and upskilling and also the climate. A little bit more detail on transparency and accountability: we are committing to publish even more clear ESG data. I think more important and impactful is that we are linking incentive schemes at EQT to our sustainability objectives.

Secondly, we believe that diversity in general drives innovation and it also helps drive returns, which is proven in our industry and is something very positive for everybody involved. Right now, we are focusing on gender diversity and we are really committed to improving the gender imbalance at EQT. This year we set a goal that 65% of the investment professionals we recruit shall be female, that we are recruiting, and that will help us over time get to the long-term goal, which of course should be an equal gender balance. We also require our advisors, such as commercial, legal, banking, etc., to have at least 25% of their teams being from the under-represented gender, otherwise we won't allow them to serve EQT.

Thirdly, to act on climate issues, we have actually already since 2014 measured our carbon footprint and we are now carbon neutral as a firm, and we continue to take steps to become carbon positive over time. Today, all of our offices are on 100% renewable energy or, where it is not possible to fully reduce emissions, we ensure that they are positively offset. I think more impactful than that is that we are requiring now all of our portfolio companies to start their transition to renewable energy.

Finally, we have the EQT Foundation, which we launched at IPO, and this is going to coordinate and drive EQT's philanthropic efforts. EQT Foundation's mission is to help create a more inclusive world and to push the frontiers of societal impact.

How EQT Navigates the Business Cycle

Talking a bit more about the business side, 2019 was a record year for EQT and also probably for the private equity industry. We are operating in a very long-running bull market, so I wanted to spend a little bit of time on how we act and invest in this market environment. Like I said, we are focused on thematic investing in relatively non-cyclical industries, in companies like Galderma, Aldevron, the fiber initiatives in infrastructure with Zayo and Deutsche Glasfaser and XCO[?], etc. Taking that from the company up to the fund and portfolio composition side, we are really working to ensure that we have a good and wise portfolio construction. We therefore use our co-investments with our LPs and deal syndication to make sure that we have the right allocation across sectors, geographies, currencies and other drivers, so that we have little correlation in the funds to any particular theme. This also helps us actually right-size our fund sizes and it is something which is very good for our clients, so we see that as a real win-win with the co-invests.

We have a global investment forum, which is really focused on what we say 'performance, performance, performance,' and at the global investment forum we are ensuring that we have a really consistent approach to our investments, to our refinancings, to exits and value-creation plans in each of the funds that we are working with. Right now, I must say our focus is to drive exits this year. We do know it is a good time to exit and we want to really make sure that we continue to take advantage of that during the year. Like I said, the exits are skewed for a bit later this year.

On the portfolio company level, we are really working, thinking about the long-term value creation for each company, that we can really drive transformation during our ownership phase, but we do also have each company preparing a Plan B: what happens in case of a downturn, or what happens in case of some kind of external shock? So, we are prepared in terms of governance, in terms of financing structure, cost structure, etc., to act if we need to. Very important is the financing side of things. We are trying to make sure that we right-size the financings for the long term with the right level of cushion and the right level of flexibility with covenant light and other elements. EQT is not the firm that maximizes the leverage of our companies at all times. We rather try to work overtime, as we own the companies, to create more and more flexibility so we can invest in building the business and building a better future for the company.

We are on a long-term journey and we are continuing to grow, so this is the growth chart that you have seen before and we believe, like I said, that our model really works well across geographies and investment strategies. You might remember me talking about people and performance. We are a very performance-driven organization and with this performance we can invest in our people and with our great people we can invest more in driving performance, and this is a positive trend. We are going to continue to do that and Kim will come back to that side of things in a few minutes.

Strategic Update

We do see some interesting opportunities for continued growth and development of EQT across investment strategies. We talked about our IPO as a watering station on a long journey, and we feel now that this is the case. We have now capital to pursue, a number of opportunities out in the world, and we will give you a quick update here on how that looks. First of all, on EQT growth, this is a part of private capital which is an opportunity to invest in the market segment between venture capital and private equity, where we have a lot of deal flow and a lot of opportunities but we do not have a strategy to really attack that. We are working on that now, preparing with a team build-up and also making sure that we build a very sharp and unique strategy around it, including being fully data driven with our Motherbrain initiative.

In Asia Pacific, I am very happy to say that our Sydney office opened yesterday. We had a big celebration out there with Thomas von Koch as our representative and the Wallenbergs also being there, representing our network and we look forward to continued investments in Australia and New Zealand. We are also opening up or planning to open a Tokyo office and we believe that both for infrastructure and for private equity the Asia Pacific area is an area which gives a lot of opportunities and, as you might have seen, we have done several deals already this year in that geography.

On the real estate side, we are continuing to scale and build the business. Our fundraising is on track for Real Estate II and we are looking at opportunities in the managed and prime space as well as increasing our geographic footprint.

With regards to M&A, we are considering M&A for EQT AB, especially in areas where we want to scale further. What I would say is that we see more opportunities in the M&A side than we had expected, so we have quite a few inbound initiatives – people coming to us, wanting to cooperate – and there are a lot of opportunities out there, both in terms of different product areas but also in terms of new geographies. We are evaluating those but we are going to be very selective when it comes to M&A, whether looking at companies and/or teams.

On the credit side, we announced in January that we were reviewing strategic options. That project is proceeding according to plan and until it is concluded, we are operating the business as usual, so we are investing, we are preparing for fundraising and all in the normal course of business. We have launched a CLO, where we have actually also committed equity from our balance sheet due to the first two CLOs that the team is driving.

The operating platform: as you can hear, we have a lot of exciting opportunities ahead and we are continuing to grow and develop. Of course, to pursue these opportunities, we need to continue to invest in our business and to really scale and digitalize our business so we become more automated and more efficient over time. We are going to continue to invest in the platform, our people with the EQT Academy, and training and leadership development. As you know, this business is very much about people and leadership. Digitalization and diversity are other elements that we are investing in, as is sustainability, to give you some of the bullet points there.

I wanted to reiterate Caspar's comments from when we were on the roadshow, that we plan for our central functions cost to be growing at about half of the pace of AUM growth over time.

With that, I think I will hand it over to Kim to talk more about our financials.

Financials

Kim Henriksson

CFO

Thank you, Chris. Let me start with a reminder of our business model. Maybe you have seen this slide before, but it is an important one, so I would like to reiterate that our focus is always first and foremost on creating attractive returns for our clients and this in turn will lead to growth in the fee-generating assets under management. With these assets under management, we will have two integrated revenue streams, we will have management fees that are sort of contractually recurring and we will have carried interest when we perform, which we will. For our cost base, as previously mentioned, two-thirds is directly personnel costs and the rest is also highly linked to the number of employees we have and consultants.

Continued Value Creation Across Key Funds

With that, let us have a look at our value creation in 2019. EQT's approach to investing in and developing companies had led to continued value creation across the key funds in 2019. You can see here the three fund generations of our flagship funds, and that we have during the year increased gross MOIC in all of the key funds, which we are pleased with. This also means that all of the key funds are at least on plan when it comes to delivering according to the expectations of our investors and we have on them, with EQT Infrastructure III even being above plan.

That brings us to the first financials here. You can see that there are some first signs of us demonstrating scalability in our business model and a total revenue increase of 54% during the period. This is principally due to the full-year effect of Infrastructure IV and of EQT VIII, so that is in line with expectation. As you can see also, the vast majority of our revenues continue to consist of management fees, and we will get back to carry at a later stage. The revenue growth has also translated into EBITDA growth at a higher pace even, and therefore in robust margin expansion, ending up at 45% margin for the year.

Let us have a quick look at the three segments and what is going on there from a financial point of view. Chris mentioned that we have had a good investment and exit environment, while competition has remained strong for high-quality assets. In private capital, the AUM is in line with 2018, which was the year when EQT VIII was raised, so there has been no dramatic changes there, but the full-year effect of EQT VIII drives the revenue growth close to 30% and the same then at EBITDA or gross segment result, as it is called here for private capital.

Moving on to real assets, the investment and exit activity has been high and almost doubled the pace in 2019 as it was in 2018. Revenue has increased significantly, primarily due to the Infrastructure IV closing in March. And here a reminder that also investors who come into a fund at the later stage than the first close will anyway pay fees from the first close of such funds. So, there is a catch-up effect in the numbers for 2019 here as well on the revenue side. Obviously, you can see the effect of that revenue increase in the scalability, with a significant increase in the gross segment result as well.

With regards to credit, revenue is in line with 2018, although there is less contribution from carried interest, according to the IFRS revenue recognition we use. There is less carried interest in 2019. We have also continued to and we continue to invest in the team and during 2019 in the preparations for the launch of the CLO program that Chris mentioned and thus the margin is not at the same level as in 2018.

Moving on to the group operating expenses at a consolidated level. As you know, the cost base mainly consists of people and related expenses to that, and we have continued to invest in people and in our business, both on the business-line side, as you have seen, but also in digitalization initiatives and in 2019 also in creating the pre-requisites for life as a public company, so we have invested in certain functions that we did not have before. The increase in personnel costs was thus driven both by a number of the FTEs, which grew, and the growth in average cost per FTE. And a reminder here again, that the partner compensation model has changed, so in 2018 there are no bonuses for our partners, but in 2019 there is. So, 2019 is a better starting point to estimate future costs from that perspective.

Income Statement

Let us have a quick look at the full income statement on the next page. The column marked Adjusted – that is the way that we follow the business internally and let me take you through a few of the adjustments. The revenue adjustment has to do with the acquisition of carry[?] did in April 2019 and in order to have the same accounting effect of that revenue as our other carry revenue, there is this adjustment of €6 million in 2019. It will go away over time then.

We had a special year, clearly, in 2019 and there are some one-off items affecting comparability here. Firstly, it is the costs for preparing for the restructuring and preparing for the IPO and the IPO including some IPO bonuses that were paid out to the teams. Secondly, we have made a one-off provision of €32 million due to the VAT ruling that was announced in late January and obviously that provision is there to cover for the historical costs and then we are of the opinion that the ruling is not expected to have any material impact on our future results and financial position.

Moving on to the cash flow and balance sheet side of things, 2019 was of course a special year also on the cash flow and balance sheet side, with the restructuring first and then leading into the IPO. So, if you dig into the details here, I have sympathy for it being slightly challenging to follow, but if we again take a step back from that and see what has really happened, we have increased operating cash flow due to the reasons discussed before in terms of our operations doing well, and we have the primary issuance from the IPO leading to an increased cash balance and to increased total equity on the balance sheet side. So, that is kind of the high-level view of our balance sheet and cash flow. You can see here that at year-end, we had roughly €900 million of cash on the balance sheet.

With that, I will hand over to Chris to say some concluding remarks on our financial targets and dividend policy.

Financial Targets and Dividend Policy

Christian Sinding

CEO and Managing Partner, EQT AB

Thank you. This remains the same as we had discussed at the last conference call, where our target remain unchanged. This year, we achieved a revenue growth of 54% and an EBITDA margin of 45%. If you look over the long term, we expect our revenue growth to exceed the private market's long-term growth rate and expect our profitability to increase to an adjusted EBITDA margin of 55% to 65%. Our dividend policy remains the same. This year it is going to be €200 million, as planned – a level that we will build from. Then the target here is to generate a steady increase in annual dividend in absolute euro terms.

With those comments, then we will open up for questions. Thank you.

Q&A

Elizabeth Miliatis (Bank of America Merrill Lynch): Thank you. Good morning, gentlemen and congratulations on the results. I have a couple of questions, firstly on the M&A point that you made earlier. What kind of size are you looking at? Are there any particular regions or product categories that you are looking at? And would you expect that there would be significant synergies out of it as well? Then secondly, on the infrastructure bridging between Infrastructure IV and Infrastructure V, would you be able to give us a sense of then when you might be thinking to raise Infrastructure V, given that EQT IX is currently being fundraised? Thank you.

Christian Sinding: Thank you very much. I will take those. On the M&A, it is right now we are going to be focused on M&A in regions where we have got more growth potential, where we are not already significant in size, and/or in product areas where we would really like to scale. So, we actually have a number of opportunities that we are considering and, like I said, we are going to be highly selective but we find it interesting that there are more opportunities out there and we think that we will over time find some firms that have a really great fit with EQT and we can then together build a strong platform and a strong future. Right now, it is still early days, so I cannot really comment any further on that. When it comes to the infrastructure bridge, we are not at liberty to talk about when we believe Infrastructure V is going to be raised, but we are working now on the bridging alternatives and we expect those bridging alternatives to be something like 10% to 15% of the size of the existing fund. And depending of course on the size of that and the actual investment pace that continues at Infrastructure IV, that will then lead to Infrastructure V thereafter.

Elizabeth Miliatis: Thank you.

Peter Kirsiakof (SEB): Yes, hi. Good morning. So, just a follow-up question on the M&A side. First of all, when we look at the IPO funds that you raised, could we see this as a potential reallocation of the use of those proceeds to perhaps do some M&A rather than seeding some of the new funds that you had expected over the coming four to five years? That is my first question.

Christian Sinding: I don't think it will be instead of. I think it is going to be rather to help either scale existing strategies or help grow newer strategies faster or to support the growing regions of EQT. So, it is very strategic and thoughtful but it certainly will not exclude our organic initiatives.

Peter Kessiakoff: All right. Then, just a few questions on the expense line. Given the significant changes that have happened with EQT going public and the changes in the corporate structure, in terms of expenses for next year, or rather 2020, is there anything material that we should take into account in terms of average salary expenses or on other expenses as one that we need to take into account?

Kim Henriksson: It is Kim. I will take that. The main part of the expenses are, as you mentioned, on the personnel expense line and adjusted personnel expense line is the one that you should be looking at. We have said that over time, the regions where we are increasing our presence had slightly higher compensation models on average than our more traditional Northern European regions, and so that will have an effect over time, but it is not a dramatic one. So, no, I would not say there is anything special.

Peter Kessiakoff: Okay. So then, there are no changes in the structure that should be reflected in 2020?

Kim Henriksson: No.

Peter Kessiakoff: Okay. Then just to understand in terms of disclosure, we had a bit more disclosure on perhaps cost breakdown in connection with the IPO. What we are getting now, is that the level of disclosure on the cost side that we will get ahead?

Kim Henriksson: Well, there will be further footnotes to the financials in the annual report, but I do not see them as material from the point of view of getting an understanding of our business performance.

Peter Kessiakoff: Okay. Then just my final question, with the VAT ruling. I know you are saying that it will not have a material impact on the results. Is it possible to quantify this to any extent? What is the definition of 'material'?

Kim Henriksson: You saw that we took a €32 million provision for the historical costs and that is for a time period of four or so years, so that gives you a sense. And then, in addition to that, we will of course study the ruling in quite some detail and expect to be able to have also mitigating actions. So, that is approximately what I can say.

Peter Kessiakoff: Sorry, but then just to pick your brain a bit. When I look at the level of provision made and I split that out over the period that it relates to, and perhaps make an assumption of what could be the run rate increase of, say, expenses on the back of this, is that the way to get an understanding of what the impact is onwards?

Kim Henriksson: We expect to be able to sort of mitigate some of that as well.

Peter Kessiakoff: Okay. Alright. Okay. I think I will leave it there. Thank you very much.

Jakob Brink (Nordea Markets): Thank you. The first question regards I think Christian you said in the beginning of your introduction regarding the credit review or the credit business review you had initiated that everything is so far business as usual and you will be doing fundraising, I think you said as well, as usual. Does that mean that even though you are in this review, it will still be possible to go out and raise funds in credit?

Christian Sinding: Thanks for that question and I am glad you asked for the clarification. What I meant is that it is business as usual and whatever the business needs, whether that is continuing to make investments or building out the CLOs which we are supporting or even future fundraises, we would then support that. But I did not mean to imply that there was anything imminent going on. It was rather just several examples to show that we think it is important that as long as we are owners of the business, we want to support it in the best possible way. We also promoted two partners in credit now recently with the partner promotion cycle. So, rather just showing that we have a very good cooperation with the team and we want to support them as long as we are owners of that business.

Jakob Brink: So, I guess my question was more related to – in my model I have new credit funds being raised further on. The question is, is it actually possible to go out and get let us say new money into a credit fund when at the same time you are thinking about potentially selling it? That was more my…

Christian Sinding: I understand the question. I think that this process will be concluded before anything like that would arise.

Jakob Brink: Okay, great. Thank you. Then, regarding just coming back to M&A, how big could it be? Of course, you have quite a big cash position now, but could it potentially be even bigger than that, or should we think of something within that size?

Christian Sinding: Maybe I will let Caspar comment a little bit on how we are thinking about M&A, just to give his perspective. He is also on the line from another location. But you should not expect anything earth-shattering in terms of size.

Caspar Callerström: Yes. No. Caspar Callerström here. I agree with that. We of course have the cash that we have on the balance sheet and that should be not only for M&A of course but mainly to drive our other organic initiatives. I think it is also fair to say that with an IPO, we now also have another currency and that is of course our own shares. So, that would also be one method of doing M&A. That said, I do not think you should expect anything very big in the very near future in general terms. We are going to be careful here and I think we will also be careful about buying too large organizations, because of the challenges that that would have in integration and culture.

Jakob Brink: I think you mentioned that you had been positively or had been more approached than you expected. Are some of those approaches so large that you would have to use your share as currency?

Caspar Callerström: I think that remains to be seen. I think we have been positively surprised by the amount of inbound calls that we have received and I think it is fair to say that the vast majority of those inbound calls we have actually dismissed at a fairly early stage, but there are few things that we are looking further into and let us see when we get further into that what such deals could look like. But it is too early to tell.

Jakob Brink: Okay, fair enough.

Caspar Callerström: I think it is also important to say that that is not only a size issue. I think for us, even for a fairly small deal, I think we would want the sellers of such a business to become shareholders of EQT rather than to get a pile of cash. So, I think from a conceptual point of view, I think we would prefer to work with shares rather than cash when it comes to M&A, or a combination of them both.

Jakob Brink: Okay. That makes sense. Then just a final question, sorry, but coming back to the Infrastructure IV bridging, how should this work? Will this mean that, for example, the commitment period of Infrastructure IV is prolonged, or does it mean that it is a separate fund more like an Infrastructure 4.5, with its own life[?]? Just so we can get it correctly into our management fee calculations, etc.

Christian Sinding: Yes. Like I said, it is still very early in that process and there are different alternatives. You can extend the size of the fund, you can do a structure with the secondary market where you actually sell a slice of the fund, meaning you get more capacity in the fund and you have kind of a sister fund on the side, and even other solutions. So, we have not yet decided exactly which way we are going to go and therefore it is hard to be a bit more specific, but that is why I gave the number of, whatever form the extension comes in, we expect it to be in the range of 10-15% of the existing size of Infrastructure IV. Now, when it comes to fees on that, that is also a bit too early to tell. It certainly will be fee paying in some form, but there are a number of different alternatives.

Jakob Brink: Okay. Fair enough. Many thanks.

Arnaud Giblat (Exane BNP): I have three questions please. Firstly, if I can ask on Infrastructure, clearly, the investment pipeline is going well. I am wondering with current headcount, can you continue investing at the pace you are currently investing at, or do you need to extend the platform there? My second question is on M&A. Lots of traditional asset managers and alternative asset managers out there are talking about deals and generally we get a sense that pricing is too high, so I am wondering what is the edge here?

Are you attracting prospective sellers who think they can leverage off the EQT platform to distribute more or something? Is there something there that makes you a more compelling buyer? And how would you consider a deal financially? What sort of financial metrics would you apply before deciding to acquire? My final question is on private equity. Clearly, there is a lot of reported interest in buying quality assets. You said it yourself. How do you see the investment opportunities out there for the assets you typically go for? Thank you.

Christian Sinding: Thank you. I will let Kim answer the question regarding Infrastructure and people. Caspar can talk about the M&A edge and how to finance those. And then, I will take the PE question last.

Kim Henriksson: Okay. On Infrastructure, Infrastructure is definitely in growth mode, both in terms of investments and in terms of people. They will be adding people in new jurisdictions or jurisdictions where we are continuing to grow and they will be building the pyramid of people with more junior resources to be able to continue to invest and develop companies.

Caspar Callerström: Yes. Caspar. I am not sure if I follow the M&A question. Can you repeat that so it is clear?

Arnaud Giblat: Yes, just on M&A, two sub-questions. The first is on pricing. Generally, we hear from other asset managers who would like to get into private equity or alternatives that pricing is out of reach for them. So, I was wondering if, since you have seen quite a lot of incomings, are sellers or people willing to sell themselves to you looking to leverage off the EQT platform and that might be a reason why pricing might be more affordable. My sub-question on M&A was how you evaluate deals from a financial criteria perspective.

Caspar Callerström: Yes, okay. First of all, when it comes to valuations and pricing of assets within our industry, I think it is fair to say that if you are a business with a one-legged business – i.e. not a multi-strategy, large player like ourselves, for instance – I think that is a different type of valuation than if you have a global business with a full product platform. So, I would expect when we are talking M&A and where we would be more sort of rifle shooting to fill in our strategic needs, that would be at valuations that would not reach the same level as our own level. That would be my expectation. When it comes to the value-add, I think that would be one of the main drivers. So, for an owner or a seller of a business, I think in today's world you can go two routes. You can stay very niche and very local or you can become global and multi-strategy, and anything in between I think will be over time difficult because of the regulatory aspects, because of all the requirements from our customers as well. So, I think we can bring a lot to the table for the owners/sellers of such businesses. You can say it is synergies in one way, yes. When it comes to our financials, let us see when we get there. I think of course we would look at many different aspects and I think first and foremost we are going to look on the strategic aspect: does this add value to our platform long term and in what way? And if it does, I am pretty sure the financial implications of that over time will be great.

Christian Sinding: Thanks, Caspar. On the private equity side, we continue our thematic investment approach. I would say we have quite strong deal flow in the core sectors and from our various geographies. We are being highly selective and really just going after the opportunities where we see that we can be the best owner and really drive a very strong value-creation approach. So, whether that is platform investments or high-growth, thematic investments, or spaces which we really know very, very well, where we can drive a unique value-creation plan, those are the kind of situations we are focusing on. We are walking away from those where we feel that the [inaudible] competition for the asset is really so tight that our ability to add value will not make a big enough difference. So, all in all, the market remains pretty good and our pipeline remains quite strong, but we are selective and will be investing in the pace that we believe is right for the portfolio construction of the fund.

Arnaud Giblat: Thank you very much.

Jens Ehrenberg (Citi): Good morning. Just one question from me. I appreciate you have briefly touched on the Coronavirus situation already. Could you just give a little bit of colour on what exposure and what risk you see if you look across your portfolios right now? And less so on where your investments right now are based, and more so on the potential supply-chain side and potential disruptions on the supplier side.

Christian Sinding: Yes. If you look at the majority of EQT's investments, particularly in the key funds, our exposure to China is relatively small or quite small. Having said that, there are certain supply chains that are getting more complicated, where there might be increased costs or increased delays or increased working capital. Nothing that is material at this point in time yet. We do have in some of our Asian mid-market investments somewhat higher exposure, but nothing that is material for the group and something which that investment committee and team is dealing with quite directly. When it comes then to exits, if the companies that are involved in exits have an exposure to China, that of course might also affect it, but that is a bit more of a general point.

Jens Ehrenberg: Got it.

Christian Sinding: Does that answer your question?

Jens Ehrenberg: Yes.

Gurjit Kambo (JP Morgan): Hi. Good morning, guys. Just a couple of questions. Firstly, when you refer to the portfolio construction at the fund level, can you just maybe elaborate a little bit more on that? Is that looking at potential portfolio construction across infrastructure, across private equity? So, just a bit more colour on that. Secondly, are you doing anything in the semi-liquid space – you know, potentially now[?] the DC space on pensions, could you offer products into perhaps[?] default pension schemes?

Christian Sinding: Yes. I will take this. When it comes to portfolio construction, what we try to do is for each fund, we try to build a portfolio where there is, first of all, clearly thematic investing behind long-term trends, but we do not have too much exposure to any single driver, whether it is a geography or a currency or other types of trends. We try to find long-term sustainable trends and really invest behind those and then find companies where we can drive those trends proactively. Ultimately, what we want to find is all companies now are fairly expensive, so what we are trying to do is have a value-creation plan with organic growth on an acquisition[?] etc., that where the price that you pay for the original asset is not the main driver of returns over time. It is really how we build the business. But it is a bit more like you would do in the public market. Obviously, this is the private market and much less liquid and different, but we try to really think about how to construct a portfolio to be as robust as possible. And then we also do right-sizing of investments. For example in Zayo or Galderma, which are big deals, then we do very significant co-invest to make sure that we do not over-expose any fund to any particular deal. So, those kind of thoughts.

Gurjit Kambo: Great.

Christian Sinding: On your other question, this is something that we evaluate over time. We are not looking at any insurance type of solution at this point in time. Particularly in our core markets, it is pretty complicated to do. Having said that, we of course are always discussing in the long term what types of strategies can we build which have a more permanent capital type of structure around it. Having said that, for all the ones who call capital in our industry for permanent capital, there is no permanent capital. There is always some form of deadline and/or an ability for the LP to withdraw the funds at some point, whether it is 10 years or 15 years or whatever. So, I do not think we are going to call it permanent capital wherever[?] we work with. I think we would rather call it that we have more long-term capital sources that would match more long-term type of investments. But that is for something later – nothing imminent and nothing that I would put in any models at this point in time.

Gurjit Kambo: Great. Thank you.

Elizabeth Miliatis: Thank you. I just had a quick follow-up question on dividends. Your guidance is that we should assume that dividends should grow steadily in the medium term, but obviously earnings fluctuates quite significantly in the next few years in terms of growth. When we are forecasting dividends, should we be taking an average through the period and therefore the pay-out ratio will fluctuate quite significantly, or will the dividend growth year-on-year fluctuate a little bit? Thank you.

Kim Henriksson: The tangent, you do not know and we do not know yet, but yes, it will fluctuate as a pay-out ratio. That is correct.

Elizabeth Miliatis: Okay. Thank you.

Kim Henriksson: That will be steadily growing in absolute terms over time.

Elizabeth Miliatis: Thank you.

Mike Warner (UBS): Thank you. Just two questions please. First, you talked about sustainability earlier on in the presentation, Christian, and I was just thinking with regards to the fact that the carried interest generated by EQT I believe is not taxed at a corporate level, do you look at that as being sustainable longer term? Is there any indication that that framework might change in the near future? Second, thank you for the outlook in terms of the realization environment, but I was just wondering if specifically with regards to EQT VII, if there is anything going on there from an exit perspective that we should be aware of in the coming months. Thank you.

Christian Sinding: Thanks. Thank you for the question. It is a very good question. Carry taxation, both for EQT and for individuals, is taxed when that capital is actually received by whoever receives it at the end of the day. So, there is of course capital gains taxation, there is dividend taxation, but as it flows through EQT, it is not taxed, and that is the same thing for our LPs. We set up fund structure for all the LPs, where we make sure that it is not taxed when EQT is managing it but it is of course taxed when our LPs receive and/or distribute their funds. So, it is kind of a misnomer that there is no tax on these kinds of income streams. It is just not taxed at the EQT AB level. And if it was, then we would not be able to actually raise funds or invest in carry because then you would get double taxation. I hope that helps answer your question a little bit.

Mike Warner: Thank you. Yes. And then on EQT VII?

Christian Sinding: On EQT VII, we never comment explicitly on exits, but as you have heard, this is an exit year, if I want to call it that, across multiple funds including EQT VII. So, we do expect several exits from EQT VII but rather towards the middle to the second half of the year than the first half of the year.

Mike Warner: Thank you. I appreciate that.

Christian Sinding: Yes.

Bruce Hamilton (Morgan Stanley): Hi. Morning, guys. Thanks for all the information. Just one going back to the question about fundraising from new clients, if you like. I guess a few of your peers are doing a reasonable job of raising money from private clients, some through different liquidity structures as a product, some I think actually doing it in more standard 10-year lock structures, typically through distribution arrangements with large banks – Swiss private banks or others. I know this is I think mentioned in the IPO stage as something of a longer-term opportunity set, but how are you thinking about that and are you actually having any conversations with distributors at this stage to try and work forward on that? Thank you.

Christian Sinding: Yes, excellent question. Good memory. Yes, we are working on that. We are working with a number of global institutions on that for our upcoming fundraises and we do already have actually in the Nordic region and a few European countries private banking as a distribution channel. But going forward, starting this year, we expect also to have some of the leading larger global banks also partnering with us for that. It is a bit too early to tell you anything more, but you are absolutely on the right trend there, yes.

Bruce Hamilton: And from that, it sounds like you would expect this would be your normal, typical fund structures? You would not be doing anything different to service those clients?

Christian Sinding: Well, if you look at what is happening in the distribution world of private equity, and particularly in the US, there are new structures that are being created by the Vanguards and BlackRocks, etc., of the world, and we find that to be pretty interesting. That is more of a retail approach than a high-net-worth or private-client approach, when I would say that we are more focused right now on the private clients, high-net-worth type of channel. Over time, I would not be surprised if let us say when the market is ready and when the solutions are right, more towards a retail approach, then of course we are going to use that distribution channel as well, but it is still pretty early days and it is a bit complicated in a number of different ways, including regulatory.

Bruce Hamilton: Got it. Thank you.

Christian Sinding: Great. Thanks everybody for participating today. Thank you for excellent questions – they were sharp and important – and we wish you all a great day and remaining part of the week. Bye-bye.

[END OF TRANSCRIPT]