Q3 2020 Announcement

Wednesday, 21st October 2020

Introduction

Olof Svensson

Head of Shareholder Relations, EQT AB

Agenda

Good morning, and welcome to EQT's Q3 Update. I am Olof Svensson, Head of Shareholder Relations at EQT since 1st September. I'm joined today by Christian Sinding, our CEO and Managing Partner; and Kim Henriksson, our CFO.

We will provide a brief update and present a few pages to you and, thereafter, go to a Q&A session. Please remember, in order to participate in the Q&A, you will need to be dialled in on the conference call.

With that, I hand over to Christian, who will kick off the presentation. Thank you. Next slide, please.

Fundraising and Thematic Investments

Christian Sinding

CEO and Managing Partner, EQT AB

Fundraising and thematic investment activities keeping a sound pace

Thank you, Olof. And good morning, everyone. As you've seen from the report, we've had a busy third quarter with activities across the board, making thematic investments, and we have good fundraising momentum, and we're making progress on our strategic initiatives. In fact, EQT continues to operate fairly close to normal, leveraging our digital capabilities and also our ways of working.

However, the world is still in the middle of a pandemic and the full long-term impact of this is yet to be seen. So while Q3 saw a rebound in activity, of course, we cannot rule out another recession. And there are also political and fiscal events around the world which may change market conditions quite quickly. Thus, times remain uncertain.

And our main focus is, as always, to remain disciplined and be a responsible investor and owner. We will continue to invest with the future in mind. For example, increasingly the positively-impacted sectors after COVID, which we believe will grow even faster than before. And these are actually core EQT focus areas, such as TMT, healthcare, and essential infrastructure.

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Q3 2020 in short

Investments and exits

Now, over to the third quarter KPIs. In short, our investment activity picked up significantly in Q3, where we invested €6 billion of new capital. And this means that for our key funds, as of today, EQT IX is 15% to 20% invested; Infrastructure IV is 80% to 85% invested; and Infrastructure V is 10% to 15% invested. Thus, market conditions actually stabilised in the third quarter and supported €1.9 billion of exits as well as making us ready, really, for the next push on exits. And we're preparing a number of those for the next 12 months. However, again, that exit activity will, of course, depend on market conditions and also the economic situation around the world.

Value creation

Value creation. Our funds remain on track with the vast majority of our companies remaining resilient through the crisis, but we do have a handful of companies that remain significantly impacted by COVID-19 and will probably remain so for a while, given the ongoing lockdowns across Europe and the world.

Now, EQT VI to VIII all remain on plan to meet the gross MOIC targets (Multiple Of Invested Capital). Infra II and IV are also on track, while Infra III remains above plan.

Fundraisings, AUM, and FTE+

On the fundraising side, we continue to act with, should I say, close to normal. Although, of course, it's not normal because it's all digital. But we have announced the hard cap of Infrastructure V of €15 billion. We just closed Real Estate II second fund in that strategy at the €1 billion hard cap. And thus, we continue to execute on fundraisings. And more information on that later.

We also continue to execute on our strategy. And we're super pleased to have announced key hires in our Growth team that we announced just a couple of days ago. And we're very excited to have Marc and everyone join us.

Other

The divestment of credit is still expected to close in Q4. And looking forward, we do continue to believe in the long-term growth of the private equity and private capital industry. Lower interest rates for longer means that private capital – and private capital delivering strong returns means that capital will still flow to our industry.

In fact, a recent study we did with McKinsey on capital raising shows that we believe $10 trillion will be invested in private markets over the next ten years. So quite a significant amount.

Building on that, we intend to increase the pace of hires and investments in our platform again. And we want to make sure we're able to take advantage of these opportunities for the long-term while still remaining vigilant for risk, of course.

Next slide, please.

We have a purpose-driven, thematic investment approach

Now I want to remind everyone again of who we really are at EQT. You know, our culture and values really define how we act as a firm, as individuals, and as members of society. We find themes supporting secular trends and we invest for the future.

We act locally with deep sector expertise and have a clear governance model, where we really nurture our relationships and draw on the best people we can. EQT leverages our network of more than 500 EQT advisers to help drive value creation through the investment cycle in everything we do, and we really integrate these specialists and leaders into our business.

We also do take risks. Without risks, there's no reward. And we do make mistakes. What we try to do is learn from those mistakes and improve continuously at all times. We're future-proofing companies through digitalisation and transformation, and we're purpose-driven. And under purpose, we, of course, bring in sustainability, ESG, and really making the companies better not just for shareholders, but for all stakeholders.

Next slide, please.

Purpose-driven since inception

Our purpose is to future-proof companies and make a positive impact

In fact, we've been purpose-driven since Day One. Our mantra from the start was "EQT – More than capital". And we inherited, really, Wallenberg's long-term responsible ownership values. And this mantra has evolved over time and we now say, as you know, our purpose is to future-proof companies and make a positive impact.

And actually, this year, we even changed our Articles of Association to include purpose in the articles, which means that we are one of the first companies in the world to do so, one of the first private equity firms in the world to do so, and I think the first Swedish company to do so. So that is just showing how committed we are to making sure that we do future-proof companies and make a positive impact.

Environment and inclusiveness

We have two axes where we drive change and try to make a positive impact. On the one hand, we have the environment, where we're, for example, moving all of our companies to renewable energy.

On the other hand, we have inclusiveness, with lots of different initiatives this year to increase diversity. This year, we're focussing on gender and we've put a lot of demands on ourselves, on our Boards, and our suppliers, as you know, to help drive that move. And we are making significant progress, although lots more to do.

ESG-linked bridge facility in funds

Other initiatives include our ESG-linked bridge facility in our funds, which just – which means there is a pricing mechanism designed to inspire the portfolio of companies to actually improve on ESG factors, and also us, of course, as the managers of the funds. We've also started the EQT Foundation, with Cilia now as the leader. And this is our own incubator where we're going to work to create a cooler and more inclusive tomorrow.

Making a positive impact

As you know, we seek to make a positive impact with everything we do and we're really convinced that this will make us better, and make us perform better, and drive better performance. We want to deliver the best companies and deliver the best returns for our investors and contribute to a better world. And we think those are really symbiotic.

And you've heard it before, we have two companies that are exactly the same. One is more sustainable than the other. Which one will attract the best new talents? Which one will attract the best new customers? Which one will have a better relationship with regulators? Which one will have the most future-proofed value chain? Well, we think it's going to be the more sustainable one.

Therefore, the more sustainable will also be more valuable and be a great investment. That's how we think. And if you think about it, who else than private capital industry has really the governance, the resources, and the business model to drive positive change across a number of companies and industries? But we do see this as a journey and there's still lots to do to bring this kind of thinking into an action, actually, into every aspect of our business.

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With EQT IX, we took another step in our growth journey

Performance is at the core of our success

With EQT IX – sorry, yeah, we really took another step on our Growth journey. And as of Q3, our AUM stands at €46.5 billion once we've activated EQT IX, that is. Infra V is going to represent the next significant change in our AUM. And Kim will talk more about that in a few minutes.

So performance continues to be at the core of our success. We're going to continue to expand our global footprint and our locals-with-locals approach. We just announced our private equity team in Sydney. And we're going to be moving into Tokyo over the next year or so. And like I said, you'd see this from this graph as well, we are on a long-term journey to continue to build EQT for the future.

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Fundraising cycles for key funds

Hard cap of €15 billion for Infra V announced in September

So fundraising has continued to progress in Q3. We activated EQT IX in July and are moving now to finalise the fundraising. It's now materially concluded, but there will be a tail of fundraising into next year. In September, we announced a hard cap of €15 billion for Infra V and we expect to start recognising management fees as from November.

Historically, our fundraising cycles, on average, has been actually about three years, if you look at this chart, and that is typically what we do in the more positive market conditions. When things are more difficult, like the financial crisis, that can stretch out to five years or so.

Changes to expect during a downturn

And I wanted to remind everybody, in a downturn, what we would expect to change. What we would expect? Fundraising to take longer, investment activity to slow down, exit activity to be slower, and also value creation to take longer, meaning carry recognition would be delayed. So as an example, in the financial – on the great financial crisis, it took five years between EQT V and EQT VI and the fund sizes remained, you know, broadly flat. It just grew a tiny a little bit.

Now, looking forward again, we do see an interesting pipeline, actually, of deals, but our pace of investments will continue to depend on market conditions. We're not going to compromise on our return targets. Performance is really at the core of everything we do. We will stay true to our thematic investment approach and our value creation agenda. And therefore, we're going to be patient and we will only exit companies when prices do reflect their true value.

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We are executing on our strategy

EQT Growth

Like I said, we're executing on our strategy. And on October 19, on Monday, we announced the Growth team, where Marc Brown joins us as Head of Growth from – and he joins us from Microsoft, where he's been Head of Business Development, has led more than 185 acquisitions, including companies like LinkedIn, GitHub, and Minecraft, which is a Swedish company, actually.

Marc is joined by Carolina Brochado, who joined us earlier this year as a partner in London. She's formerly been at – a partner at SoftBank and Atomico. And they are joined by our talents, Johann, Dominik, Victor, and Henrik from various parts of the EQT. So we believe that this team is very, very strong and we look forward to building the strategy together.

Expand in APAC

Now, geographically, Asia Pacific, as you know, remains a strategic priority. We have seen COVID slowing down some of our progress there, but we have recently announced key hires to our private equity team in Sydney, for example, with Frank Heckes and David Forde.

And, you know, as background, we do believe Australia and New Zealand actually represent quite interesting markets for EQT. We've already invested in I-MED there and Nexon Asia Pacific, for example, as well as Metlifecare in Infra.

Over time, our APAC strategy, like I said, will focus on Japan as well and, ultimately, also South Korea, and probably a little bit less so regarding China in the near term.

Real estate

Moving over to real estate. We just closed Real Estate II at €1 billion, the hard cap. If you look at it, real estate is actually the largest single asset class globally. Allocations are increasing to that sector. And thus, over time, our ambition is to scale real estate really into one of our core significant strategies.

M&A

When it comes to M&A, we're continuously evaluating opportunities and we have a number of dialogues ongoing, but we remain very selective. It could either be something like seeding a new team or a new strategy, as we did with public value in real estate, or it could be more strategic moves to build a presence in certain geographies or strategies, for that matter.

But the bar is high and the culture and strategic fit is critical in anything we do. And with the divestment of Credit, which is imminent, we are solely focussed on active ownership strategies. This means that they are strategies where we can really actively drive value creation and transformation in the investments we make.

EQT Growth strategy – leveraging our strengths

Good. Now, let me talk to – on the next page – next slide. Let me talk a little bit about the growth strategy again. We do have this new dedicated strategy. It's really focussed on partnering with founders and management teams of market-leading companies. We're going to do this through investments – growth investments in a range of technology, tech-enabled and scalable businesses. Now, this growth strategy really fits perfectly between ventures and equity.

Now, EQT Growth is going to be an extension from a number of successful growth transactions that we have made and a large number of investments that we've looked at but haven't been able to make because we haven't had that mandate. So these have – and these deals come in either from mid-market, or private equity, or venture strategies, and there's quite a good deal flow.

Motherbrain at the core of Growth

We're also going to use Motherbrain at the core of Growth. And Motherbrain, for those of you who don't know, is our in-house artificial intelligence system. We have 17 or 18 data scientists working to continuously build that out every day.

And Motherbrain has actually already sourced about $100 million of investments for the venture funds. And it assists in identifying trends and sourcing potential investment opportunities as well as potential threats, actually, for existing investments as well, and something we're continuously building out for other business lines as well. So we think this is quite unique.

Balance sheet

We've done our first balance sheet investment this quarter, which is a smaller participation in a very exciting company called the LIVEKINDLY Collective, which is in plant-based meats, and growing to become a global leader there. And we're going to continue to use the balance sheet to do these types of investments for some time.

EQT Growth strategy to be fully operational in 2021

The EQT Growth strategy is expected to be fully operational in 2021, in line with the strategy we described at the IPO last year, where we accelerate the strategy by making these balance sheet investments from EQT AB, and those can then subsequently be rolled into a new fund. Also, our mid-market Europe strategy will be morphed into Growth, for lack of a better word. And then, we'll have ventures, growth, and equity as the private capital strategy.

And as you know, regular – and most of you know, we cannot comment on fund – on future fundraisings due to regulation. But of course, we do want to tap larger investment opportunities from the start to really build this strategy for the long term.

So with launching Growth, we're one of the few private markets in the world – private market firms in the world that actually has investment strategies that cover up – you know, that cover all our companies from the start-up phase until, you know, like mature, leading businesses. And that is quite exciting and we think it will really benefit us, in terms of becoming – you know, in terms of being in touch with all the different trends that are building businesses now and will make us a smarter investor.

Now we're, of course, always evaluating also the next step for EQT and a natural extension of this could be a longer-term investment strategy beyond our private equity strategy. This would be a strategy with – that has purpose at the core, of course, like everything else we do. But it's an early idea. We're going to evaluate that further, based on our own internal analysis and also demand from our clients.

And actually, with that, I hand over the word to Olof again. And then, Kim will follow. Thank you.

Investment Activity and Fund Valuations

Olof Svensson

Head of Shareholder Returns, EQT AB

Activity picking up after subdued Q2 and Q1

Investments

Thank you, Christian. So I'll talk a bit about the activity that we saw both from the investment and the exit side during the third quarter. And as you will have seen, we announced investments of approximately €6 billion in the third quarter. The announced volume represents about two-thirds of our investment activity over the last 12 months.

I think it's important to keep in mind that some of the investments that we announced in this quarter were also deals that we have been looking at earlier in the year that were postponed and then materialised during the third quarter as markets stabilised.

If we look at our total investment volume over the past 12 months, you will see that approximately 80% were in our core sectors, TMT or healthcare. And as you all know, EQT's strategy is really to acquire high-quality companies, which we then aim to make even better. And I wanted to highlight two examples of those situations.

EQT IX's acquisition of Natural Colours

The first one being EQT IX, who, in September, announced the acquisition of Natural Colours from Chr. Hansen in Denmark. This is a highly thematic investment. It's a company that is operating in a market that is supported by strong trends, the first one being increasing consumer awareness around health and the environment; and secondly, the ongoing transition from synthetic colouring to natural ingredients, in line with demand for plant-based food.

EQT Real Estate II JV launched in UK

The second example that I wanted to highlight was the JV that EQT Real Estate II launched in the UK. There, we're going to build 3,000 high-quality homes with high sustainability credentials in more affordable areas of London.

Exits

And then, if we turn to exits on the right-hand side of the page, you will see that we announced exits of about €1.9 billion in the third quarter. Again, this represents about half of our exit value in the last 12 months.

Overall activity in investments and exits over the quarter

So looking at both the investment and the exit activity over the past quarter, it's important to keep in mind that these are quite significant parts of the last 12 months activity and, therefore, please bear in mind that both investment and exit activity can be relatively lumpy in any given quarter.

We find that the financing markets are open still for transactions. And in addition to the M&A market, we also see that the market for initial public offerings is available to us as we've done our exits. And as a reminder, as part of our exit strategy, we continue to align our portfolio with our thematic approach and our sector priorities.

Next slide, please.

COVID-19 portfolio update

Resilient portfolio underpinned by thematic investment approach, but market outlook remains uncertain

Now let me turn to our portfolio – an update in light of the ongoing pandemic. First, I'd say we remain focussed on the risk of the pandemic and other external factors that may potentially affect us.

For each portfolio, we continue, as always, to maintain base case and downside plans. We have continued to improve and extend financial – financing structures during the quarter by tapping debt markets in Q3. These and other measures have helped us reduce the size of equity injections that we had anticipated in Q1.

Structural impact

If we look at our portfolio, we segment it into three broad categories. In the first one, we put the companies that have been the most impacted by the pandemic. This constitutes approximately a handful of companies from both our equity and our infra strategies. These companies are primarily related to travel and leisure, consumer retail, and transportation.

In the first half of 2020, we did certain equity injections to support these companies. Those contributions represent approximately 1% of total commitments in key funds, and that excludes EQT IX. So you will see that this is quite significantly less than the approximately 5% that we mentioned in the first quarter of this year as we were evaluating the potential effects of the pandemic.

However, please bear in mind that this category is one that we expect to continue to be severely affected by the pandemic for a long period of time. And these companies may only improve if and when travel and leisure and if also social habits eventually return to and approach pre-COVID levels.

At the moment, we're not expecting any significant additional equity injections to these companies, but we do not rule it out. And as Christian was saying, the market outlook includes several uncertainties.

Resilient

Then, if we turn to the next category – the middle column of the page – this is where the vast majority of our companies are – in the resilient category. Here, we have our core focus including TMT, healthcare, industrial tech, which all have been less affected by the pandemic so far. However, also for this category, the long-term impact of the pandemic and the other factors out there may, of course, eventually also have an effect on these so far resilient companies.

Beneficiaries

Lastly, in the third segment. We do find that a few of our companies have actually been beneficiaries of the pandemic and the changes that we've seen to society as a result of the pandemic. We have companies in selected parts of our TMT and healthcare portfolios, but also certain beneficiaries in our ventures fund, for example.

The beneficiaries, they see favourable valuation benchmarks. And for certain of these companies, we may be able to accelerate the value creation agenda and, therefore, also plan for exits earlier than initially anticipated.

Next slide, please.

Resilient valuations – key funds

Gross MOIC for EQT VII increased to 2.0x, and funds remain on plan

So, if we turn briefly to the valuation of our key funds. As Christian mentioned earlier, the value accretion process remained on track for most of the funds or above, when it comes to Infra III. To note, in the quarter, we have increased the gross MOIC for EQT VII from 1.7x to 2.0x. The uplift in valuation for this fund was primarily driven by increased valuation assumptions for certain companies rather than us actually having realised any significant exits in this fund in the period.

As mentioned, EQT VI and Infra II remain on plan. Keep – please keep in mind that these funds have pure assets left and some of them are more exposed to the pandemic. Worth also noting that our older funds, of course, constitute a relatively small part of our AUM. What all this means, in terms of valuation levels and potential implications for carry, is something that Kim will talk to.

And with that, I will hand over the word to Kim. Thank you. Next slide.

Key Financial Data for Q3 2020

Kim Henriksson

CFO, EQT AB

Increase in AUM driven by EQT IX step-down in EQT VIII

Management fees expected to be recognised from Infra V from 1st November

Thank you, Olof. But in terms of how all of this impacts our financials, let's start with AUM, though. And the key driver of the increase in AUM in Q3 to €46.5 billion has been the fundraising of EQT IX, where we have, as of quarter end, closed out in excess of €13 billion of investor commitments. And Infra V has not yet been included in this number as there hasn't been any closing of Infra V there.

When we report full-year numbers, we expect to recognise management fees from Infra V from 1st November. And as a reminder then, in the current financial year, the management fees charged will be on the commitments that we have as of the end of this calendar year.

Step-downs

Worth noticing is also the so-called step-downs we have. When a successor fund starts charging management fees in an existing investment strategy, it's a step-down of the AUM base, but not of the management fee level.

But for example, the step-down – the AUM base in EQT VIII decreased by €3.4 billion for the second half of 2020 when EQT IX was activated because then the EQT VIII started to charge management fees on net invested capital instead. And net invested capital, in turn, includes only the closed deals, but not the signed deals. So transactions that were signed, but not closed in a particular period, they get included then in the AUM base in the period after the transaction has closed. So that's a bit of technicalities there.

So the AUM step-down base, it's measured on a semi-annual basis. So key date for H2 in 2020 is 30th June and for H1 2021, it's then going to be 31st December. We have included further details of these mechanics in the appendix, but the main takeaway is that only one fund within each fund strategy can charge fees on committed capital at any given point in time.

Next slide, please.

Carried interest recognition update

Long-term focus on meeting MOIC targets and full value creation potential

So in terms of carried interest, let me first remind you that internally at EQT, the way we follow carry development is on a long-term basis and that the key data point for us is whether the funds are on plan to meet their long-term targets. Then, for accounting purposes in a specific period, carry recognition is as previously discussed. It's driven by a combination of increases in unrealised valuations and/or realisations of investments.

So given the recent valuation uptick that Olof mentioned in EQT VII, from 1.7x to 2.0x, the fund, currently, it fulfils the rule of thumb and the criteria for carried interest recognition. But that said, given the uncertainty around us, we remain very cautious on the development that we may have in the coming periods and the impact that that may have then on valuations and exit activity. We'd like, however, to take the opportunity to remind you of how the recognition of carry works in our accounting.

So may I ask you to turn to the next page, please?

How does our IFRS carried interest model work?

So this – it looks a bit complex and I'll do my best to sort of – to be pedagogic here, but it's important that you understand this but – regardless of the fact that we do look at it on a long-term basis. But starting on the left-hand side in the chart here.

Valuation buffer

The fund valuation for accounting purposes is then built up of two components: it's the unrealised value where we apply a 30% to 50% valuation buffer on it; and it's the realised value as we start to exit companies somewhat later in the fund life cycle. And until we have approached this rule of thumb for carried interest recognition, all of the accrued profits have been allocated to the fund investors. And then, we test if there is carried interest, for accounting purposes.

We first deduct the valuation buffer, which I mentioned. The valuation buffer on unrealised investments, it's 30% to 50% across our funds, depending on the investment strategy. And from the value after the buffer, then you deduct the invested capital, the management fees, and the operating expenses of the fund. And any residual profit then is then shared 80-20 between the fund investor and the carried interest participants. And out of the 20%, EQT AB is then entitled to its share of the carried interest. And that varies between funds.

In the most recent funds, it is approximately 35%. And in EQT VII that we just talked about here, it's 25%. So this represents the accounting mechanics that we have at a certain point in time. But please again note that internally, we're looking at this on a long-term basis.

Recognition timing is partly subject to market conditions

The incremental steps of future-proofing the companies and building value towards the long-term targets – that's what ultimately drives the carried interest. As I have pointed out before, it's very challenging to predict with high certainty what level of carried interest we will book in any specific interim period because small shifts in timing may occur without any material impact on the overall carry potential. But we feel very comfortable with the long-term targets and our plans to reach or exceed those targets.

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Reaccelerating investments in personnel

Our dedicated employees are our main assets and instrumental for our future success. Like we have pointed out many times, around two-thirds of our cost base relates to personnel expenses, and the other operating expenses are also highly related and correlated to how we expand our footprint and the workforce.

Recruiting activities accelerated following hiring freeze in H1 2020 due to COVID-19

So in Q3, we saw the effects of the hiring pause we introduced during the spring and we saw only limited net additions in the last three months in FTEs, with 709 FTE-plus by end of September compared to 699 by end of June.

But we have already started easing the hiring pause and we now expect the increase in hirings to lead to an uptick, both now in the current period, but also in 2021. And when we think about 2021, we expect it also to be impacted by a catch-up from the freeze we have had here in 2020. So that would be in addition to the historically approximately 100-person net additions that we have had.

Launch of new strategies and increasing global fundraising capabilities

What areas are we investing in? We're investing in the launch of the new strategies – so, adding investment professionals there. But we also have some projects on the central function side, particularly focussed on increasing our global fundraising capabilities and further digitalisation of the platform that we're using. So those are a couple of examples.

As I have mentioned before, the expansion we're doing is mainly outside Northern Europe, in – for example, in the US and APAC. And those are also, in relative terms, more expensive regions. So we could see a potential uptick in the average cost per employee, going forward. On separate note, as we plan ahead, we also start to look at ways to create further flexibility in our capital structure. So this could include, then, possible debt facilities over time.

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Financial targets and dividend policy

Targets should be considered over a fund cycle

So to conclude here, I mean, our strategy lies firm. But we do expect the markets to continue to be somewhat unpredictable and possibly bumpy. We aim to play an active role in influencing the new normal post COVID-19 as responsible, purpose-driven investors with a laser focus on performance.

So with that, I'll say thank you and open up for questions.

Q&A

Operator: Thank you. If you wish to ask a question, please dial zero, one on your telephone keypad now to enter the queue. Once your name is announced, you can ask our question. If you find it's answered before it's your turn to speak, you can dial zero, two to cancel. If you're also watching the webcasted presentation, please make sure to mute your computer audio and keep listening to the audio on your phone. And this is because of the sound delay between the audio and the broadcast.

Our first question comes from the line of Jakob Brink from Nordea. Please go ahead.

Jakob Brink (Nordea): Thank you. And good morning, everyone. Thanks for taking my questions. I have a few ones and I would like to ask them one at a time, if that's okay.

The first one, just on your – the pace of investments in your funds. You said three years, Christian, and – but you also said that activity was relatively high right now. So I guess it could even be below three years, which means we might soon have to start thinking about the sizes of your next flagship funds.

And just around that, what are you planning for here? In connection with the IPO, you said that the new funds should grow roughly, in euro terms, the same as the old funds. Is that still the guidance for the next flagship funds or does something change there?

Christian Sinding: Yeah. Should we start with that? Very good question.

Jakob Brink: Thank you.

Christian Sinding: And I'm glad you're thinking about the future. We are investing, you know, if the markets are reasonably healthy, as they are right now, even though the world is in a complicated place. Then, we do invest on around a three-year basis, and you can see that from the graph that we showed. And that's what's happening as we speak.

Of course, we don't know what's going to happen into 2021 and 2022, so it's hard to give a prognosis. So it's a little bit early for us to give you any indications of how we're thinking about the next fund generation. But as we – you know, as we get a bit more invested in the two flagship funds, we will, of course, start to talk with you more about that, going forward. So I think we have to leave it at that for now.

Jakob Brink: But just – sorry to follow-up, you mentioned also that your McKinsey study had shown that x number of trillions would come into private capital over the next coming years. Would that then be in other funds or new strategies or do you think that will go into your current flagship funds or is there a limit on how big those can be?

Christian Sinding: No. The – that number is actually based on, you know, all of the asset classes where EQT is investing. And of course, it's a number – global number for the next ten years – an analysis done by McKinsey. Who knows if they're exactly right?

But there – what's important, I think, is that given that low interest rates are expected to continue for a long time across the world, there's still a need for yield in many pension fund systems, healthcare fund systems, and for all – you know, for all investors.

You know, the private markets continue to drive yield and we expect to be able to continue to do so over, you know, the long term. And therefore, we will continue to attract capital. That's the logic.

And of course, that means that we're going to be continuing to invest in EQT in building our strategies, building our platform, and also, you know, continuing to expand, as we have been, geographically. That's kind of how we think about the whole ecosystem.

Jakob Brink: Okay. Fair enough. Thank you. And then, on your capital position on M&A, and dividends, buybacks, other ways of paying out, what's your thinking? I think when you look at the slide where you mentioned your M&A, those potential M&As doesn't sound that capital-intensive. I don't know if you agree with that. But if you agree, then could you maybe share your thoughts on dividend policy and also potential for doing share buybacks in the future?

Christian Sinding: I'll let Kim talk about the capital structure and dividends. Now, when it comes to M&A, the way I'd categorise it is that we're looking at two different types of investments there or add-on acquisitions. One would be smaller teams that we would bring in and build the business out from, like we have with real estate and with public value, or it would be, you know, others, you know, either geographic or sector specialists, which would be more meaningful in size.

Kim Henriksson: And thank you for a good question. Let me comment then on the dividend part of it. The – what we've said as our target is that we want to have a steadily increasing dividend, in absolute terms. And that still holds true.

We do have a number of exciting investment opportunities on the horizon, not only M&A, but in terms of initiating these various new strategies. So we have not been discussing any share buybacks. That's not on the horizon in the short term.

What we've said is that to the extent we, at some point in time in the future, we'd be in a situation where we had excess capital, we could envisage paying sort of extraordinary dividends at that point in time. But that's really speculation far ahead in the future because right now we are very focussed on using that capital for the growth and benefit of the shareholders.

Jakob Brink: Thank you. And then, just on – Kim, you had your run-through of the personnel or accelerated investment in personnel. Would it then make sense to assume around 150 increase in FTEs next year – the 100, and then it seems like you are 50 behind schedule in 2020?

Kim Henriksson: I think the way of thinking of it is – that you're suggesting is correct. Whether it's exactly 50 that we're behind, we'll see. We'll see how that pans out for the rest of the year. But the way you're thinking of it is correct.

Jakob Brink: Thank you. And then, the third last and small question. In the Q2 conference call, you mentioned that the prices of new funds were slightly, slightly smaller than on the old funds. Could you be a bit more specific here, maybe? Thank you.

Christian Sinding: Is your question regarding the management fee rate in the new funds?

Jakob Brink: Yeah. Yeah, exactly.

Christian Sinding: Kim, do you want to take that?

Jakob Brink: I think you said that it's a –

Kim Henriksson: Yeah. I think the terms in the new funds are broadly similar to the old – to the predecessor funds. So there is not a change in management fees there. But the management fees has a – there is a number of different levels there, in terms of size and in terms of when you come into the fund, at what timing you come into the fund. And that could impact the average rate. But we're talking sort of the second decimal or something here. So it's nothing that we focus on a day-to-day basis.

Jakob Brink: Thank you very much.

Operator: And the next question comes from the line of Ermin Keric from Carnegie. Please go ahead.

Ermin Keric (Carnegie Investment Bank): Good morning. And thanks for taking the questions.

So first one, just more of details. On EQT VII, you said it's currently meeting all the requirements and sort of valuation and so on for carry recognition, but it's uncertain times. Should we read into that that you will hold off on carry due to uncertain times or just that that could make valuation come down until we're sort at looking at the H2 numbers?

Kim Henriksson: The latter. If – by the way, I'm not saying that will happen. I'm just saying that it is generally very uncertain times with the second wave of the pandemic potentially on its way in Europe, etc. So we are just being very, very cautious. But we do not – yeah, that's essentially what I'm saying.

Ermin Keric: Okay. That's very clear. Thank you. Then, the second thing was also more details. On EQT VIII and the step-down there, did I understand you correctly that, for instance, the deal for IFS, which you carry from VI to VII, that could basically make the step-down be a small reversal in Q4 on that field?

Kim Henriksson: Not in Q4, but potentially in H1 '21.

Ermin Keric: [Inaudible].

Kim Henriksson: Because it's measured as of end of year in 2020.

Ermin Keric: Okay. But then, I guess the dynamic is perfect. Then, more of a simple question. Could you tell us more about the intention to use the balance sheet to seed investments? I mean, I know you talked about this since the IPO, but could you tell us more? Will you carry the full investment risk or is there any mitigating factors to it?

Kim Henriksson: Should I –

Christian Sinding: Yeah.

Kim Henriksson: – take that, Christian?

Christian Sinding: Yeah. Go ahead, Kim.

Kim Henriksson: I will take it from a strategic point of view.

Christian Sinding: Yeah.

Kim Henriksson: But from a –

Christian Sinding: Go ahead.

Kim Henriksson: From a technical point of view, when it's on our balance sheet, yes, we take the full risk of it at that point in time. The idea, though, is to use our balance sheet to accelerate this – the growth of these new initiatives and then roll it into a new fund. So we don't expect to sit with these investments on the balance sheet for a long period of time at all.

Christian Sinding: Exactly.

Kim Henriksson: That's the sort of mechanics. But –

Christian Sinding: Yeah.

Kim Henriksson: – Christian, you may want to –

Christian Sinding: And –

Kim Henriksson: – comment on that.

Christian Sinding: And, you know, they – the reason we're doing this is that now we have – and the Growth team is the best example. We have the team in place. We have the strategy clear on how we want to invest the funds. We have the deal flow. So we'd like to be able to make those investments. And then, after we've made a few investments, start the fundraising process, layer those funds – those deals, you know, into the fund, and then create this new fund strategy.

The way that we had it before, before we had a balance sheet, what we needed to do was, first, then, recruit the team, then sharpen the strategy, then go through the regulatory process of being able to fundraise, then fundraising. And then, we could start investing.

And we're talking about a difference in time of probably 18 to 24 months. So this actually creates a better dynamic, I think, you know, both for the team, and for EQT, and for our LPs and, ultimately, for the shareholders as well, and just helps us move the firm forward in a better way. So that's why we do it this way.

Ermin Keric: And could you give us any sort of guidance on how much of your balance sheet could be deployed sort of at one time in this kind of investment?

Christian Sinding: Kim, do you want to take that?

Kim Henriksson: Yeah. I mean, in any single investment – let's say it like this. We have a number of different initiatives. And I would say that we wouldn't allocate more than, say, €250 million to any single initiative. And then, within that initiative, you'd probably do between two to four investments out of it. But it depends on the type of strategy. This was – at least in Growth, it would look like this, broadly.

Ermin Keric: Okay. Thank you. Then, one last question sort of also on the Growth fund. When looking at it strategically, it looks like it's quite similar positioned to the mid-market.

Does this mean you will discontinue the mid-market strategy or will it just be a complement to it?

Christian Sinding: Yeah, thank you. That's a good question. The way I tried to say it in my introduction was that, you know, that mid-market is going to morph into Growth. And if you look at the mid-market strategy over the past several years, it's actually been very focussed on growth investments. So we've done some growth-like investments and ventures, some in mid-market and some in equity, but not to a full extent because we haven't had that full mandate.

So after this change, we're going to have, you know, the ventures funds, we'll have the growth funds, and then we'll have the equity business and then, maybe in the future, a long-term strategy as well. So mid-market Europe will be rolled off and Growth will be rolled in.

Ermin Keric: Superb. That's very clear. That's all from me. Thank you very much.

Christian Sinding: Good questions. Thanks.

Operator: And the next question comes from the line of Arnaud Giblat from Exane BNP. Please go ahead.

Arnaud Giblat (Exane BNP Paribas): Yeah, good morning. A couple of questions, please. Firstly, in terms of the investment pipeline, I was wondering if you could give us a bit of a quantum, in terms of the, you know, asset that you might be looking at? And I mean, if markets hold up, but clearly, you seem to be on good path to be raising in 2022. So aside from the – I suppose the dominant factor we should be thinking about here is market conditions more than anything else. Is that right? But if you could maybe also give me a bit of a quantum, in terms of the platform, that would be helpful.

And secondly, I mean, I very well understood from your comments that you seem to be targeting the same returns on these deals. I'm just wondering what sort of MOICs – or could you give us some specific examples as to – in terms of what the excitement is on some of these future investments? Thank you. Or current investments in the pipeline.

Christian Sinding: Thanks. It's – what I can say is that the – you know, the current market is quite active, as you know. And with our setup, where we have, you know, thematic investing, sector-based investing on the one hand, with teams focussing on finding investments through, you know, finding, you know, interesting trends under – you know, underlying these sectors, together with the other axis, which is being our being-local-with-locals.

And we're, you know – we're, for example, the only private equity firm in the world that has offices, you know, in every major European country and we invest always – you know, in all of the countries we're investing in, we're local-with-locals. So they're also working to find deals, you know, together with the sector teams. So our deal flow is almost always quite strong.

So the difference is can you make – you know, do we believe we can make the – you know, the investments at the required rate of return? Which we do, and that makes us highly selective. So when the market is good, then we're typically investing, like I said, on this three-year basis. And pipeline right now is pretty strong. I can't really go into any more details, but we are, you know, just – we're looking at companies that – from all sources –

from entrepreneurs, from – you know, and public to privates, and, you know, from strategics, etc.

What happens during a downturn is that – and a – you know, or a financial market downturn as well is that sellers become, you know, lesser – less keen into sell, just like EQT, for example, earlier this year. And then, the market slows down. And also, with more uncertainty, the capital markets may not be there and makes deals more complicated also for us. That's why there's kind of a cycle in this business.

When it comes to target returns, we are not lowering our target returns. We're keeping them in the same. So, you know, you know our target MOICs for Infra and Equity. And those are in the on-plan range. That's still how we're underwriting deals these days.

In order to achieve that, of course, what we're doing is we're investing a lot in capabilities. And that's why we have our push towards purpose and sustainability, our digitalisation strategy, our Motherbrain, and all these other value creation elements that can help us, you know, transform and take these businesses to the next level.

Because prices are high for assets these days. So you have to do two things right. You have to select the right assets, but you also need to really create value with the companies. And that's where we're – you know, we're investing in, obviously, both of those so we can continue to deliver for the future.

Arnaud Giblat: That's very helpful. Thank you.

Operator: And the next question comes from the line of Roberta De Luca from Goldman Sachs.

Roberta De Luca (Goldman Sachs): Hi. Morning. I've got one clarification, please. The EQT IX, you said it's in excess of the €13 billion. I assume that's not on the final close. Is there any visibility or anything you can say about timing of a potential – of a final close?

And then, I have another more, let's say, broader question on EQT Growth. I understand, obviously, kind of short-term goals cannot really be disclosed. But how can we say – how should we think about the strategy over the longer term? Kind of what are the ambitions on the Growth side?

And also, given that now you have subsequently kind of all the parts of the equity investment, is there a scenario in which you could roll out an investment from a venture capital – from one of your VC fund into growth fund or from the growth into the private equity – kind of sell it to your own funds?

Christian Sinding: Okay. Thanks. Good questions. I'll answer the latter two, and then Kim could take the first one.

When it comes to Growth, you know, we believe this can become, you know, a pretty significant investment strategy for us. Ultimately, we think it's going to become a global strategy after several fund generations. In the beginning, it will start in Europe.

If you look at the biggest players in the world in growth, the fund sizes are, you know, $6 billion to $8 billion for the time being. And if we look at, you know, where we are right now, you know, our mid-market fund is at €1.6 billion. We would expect to, you know, to start the strategy with a, you know, with a fund which has more firepower than that one. So I guess that's how we comment on it. Maybe Olof and Kim want to give a little bit more colour on that.

When it comes to moving investments between funds, it's – this is a little bit more complicated question. But clearly, you know, from ventures into growth, we can do partnership deals and help these companies grow from, you know, more start-up phase into the more mature phase, for sure.

But it's a very sensitive question. And each of these funds are separate and have their separate investment strategies and investment committees. So anything like that would always be done on arm's length terms and with a very predetermined process that we've developed over years and which is, you know, aligned with best practices in our industry.

Kim?

Kim Henriksson: And – yeah, thank you. And then, coming to your – back to your first question, it's correct. The EQT IX has not had its final close. And I believe Christian mentioned in his talk here that it will run into next year. There will be a tail into next year with the fundraising still ongoing. So we're not going to be more precise than that.

Operator: And the next –

Kim Henriksson: Next question.

Operator: – question comes from the line of Bruce Hamilton from Morgan Stanley. Please go ahead.

Bruce Hamilton (Morgan Stanley): Hi. Morning, guys. Thanks. The – just sort of follow-up questions.

I guess on the growth capital front, you've given some useful colour about thinking through, you know, possible capacity and that sort of thing. In terms of time frames, you've done one investment from the balance sheet. You've got the team. You're going to accelerate investments. So I'd assume – you know, should we assume that there's a decent chance we'll be generating fees from a growth capital fund in the course of 2020?

And then, on the [inaudible], we're running a little bit slower. Would it be fair to assume that that's possible in 2022? Is there any kind of costs you could talk to maybe, if you can't be more explicit on the, you know, current fundraising?

And then, second question, just on the longer-term strategy. Obviously, you can't value it at earlier stage on planning that. But can you help me understand, you know, how you structure that? Would that be a sort of permanent capital vehicle or will it just be longer than the typical ten-year duration funds? And so, would it be more like a kind of investment trust or how to think about that?

And then, finally, one clarifying question on cost. Kim, I think you said, along with the helpful comments around, you know, the hiring activity, that you'd expect some increase in the average cost per employee. I think I may have missed what you're referencing there. So if you could just remind me on that, that would be good. Thanks.

Christian Sinding: Yeah. I'll start with the first two here. And thanks, Bruce. The – you know, the growth strategy will make investments typically between €50 million and €200 million per deal. When it will start generating fees, it's – we're not going to – we don't know yet today. But the fact that we have our team in place now, we're starting to make investments. And you know, it typically takes, let's say, a quarter or so to, you know, to prepare fundraising. Maybe that gives us some indications of the kind of time line we're working on.

Then, when it comes to the long-term vehicle, this is still very early days. But with a long-term vehicle, you know, the idea would be to align it very much with what our investors are looking for, in terms of generating long-term capital gains, probably slightly larger investments, slightly fewer investments, and something which would have either a normal fund structure or some kind of evergreen fund structure. That really depends on a number of factors.

So it's too early to tell right now, but we just wanted to indicate that it's a natural extension for us now that we have and we can follow all – in our companies through the life cycle. There are some assets out there that we think are really interesting that we can own for significantly longer than the typical, you know, private equity time frame. And particularly, companies that we can help future-proof and make more – you know, more purpose-driven and more sustainable for the long term.

But right now, we're just – we're literally at that discussion level that I now just introduced to you. So we – I couldn't give you any more than that today.

Bruce Hamilton: Okay. Thanks.

Kim Henriksson: And Bruce, on the – on average cost per employee, the only thing I said was that the hirings we are making in the US and in APAC and the geographic growth areas we have are, on average, a higher cost than the Northern European base. And that will, over time, mean that we will have an increase in the average cost per employee.

Bruce Hamilton: Got it. Okay, that's helpful. Thanks.

Operator: The next question comes from the line of Gurjit Kambo from JP Morgan. Please go ahead.

Gurjit Kambo (JP Morgan): Hi. Good morning. Thanks for the presentation. Just have two questions.

In terms of the investments, you know, you're seeing coming to the market and you're looking at the moment, just what sort of – are they small deals, large deals? Are they, you know, companies which are – you know, you view as being kind of, you know, beneficiaries of what's going on in the market? I'm just trying to understand that. You know, sellers, are they selling things which, you know, they're having issues with or are they selling, you know, companies which they still feel are seeing good growth? That's the sort of first question.

And just linked to investments, you know, in terms of the new deals, you've obviously done quite a lot of deals and exits in Q3. How much of that was sort of postponed deals from, you know, the start of this year-early last year versus that sort of brand-new deals that we've been seeing?

Christian Sinding: Good question. You know, for EQT strategies, we're – we are – you know, we're not market timers. We typically don't buy troubled companies. And so, the answer for us is that, you know, we're active in the healthier sectors – you know, TMT, healthcare, essential services, essential infrastructure. And that's – you know, that's an area where we're continuously building relationships, building the pipeline.

I mean, if you were to visit one of our offices or one of our teams and ask, you know, about their pipeline, you'd see a – you'll see the short-term pipeline, you'll see the medium-term pipeline, you'll also see the dream. We'd love to own this company whenever that comes for sale, whether that's three years, seven years, or ten years away. And something – I think we've followed, on average – in EQT VII, I think, we followed the companies, on average, between three to five years before we made the investments.

So this is a very long-term game. Of course, there were a few deals in Q2 and, therefore, maybe Q3 was a little bit more active because of that. But the fact is that, you know, with low interest rates, with companies in those sectors performing pretty well, and, you know, capital requiring a yield, if these market conditions stay, we expect the market – you know, we'd expect there to be continued healthy activity at, you know, at all size levels, really.

And even the IPO market is open, as you know. But as Kim also mentioned earlier, you've – it is a very uncertain time right now – pandemic, geopolitical issues, etc. So we're just being cautious. It's a healthy, strong market. The sectors that are active or the ones that are EQT's focus areas, as you know. But we just want to have our feet on the ground and not get carried away. And – yeah, I think that probably answers the question.

Gurjit Kambo: Great. Thank you.

Operator: And the next question comes from the line of Hubert Lam from Bank of America. Please go ahead.

Hubert Lam (Bank of America Merrill Lynch): Hi. Good morning. I've got three questions.

Firstly, I just wanted to double-check. For the companies that are going to be hit by the pandemic, can you remind us which funds are they in? How big are they within the – these funds and have they affected the overall performance of these funds? That's the first question.

Second question is on performance fees. You've announced a number of exits already for this year. Just wondering, what are your expectations for performance fees for the second half or if should we expect anything?

And lastly, on fundraising pipeline. Now that you've – you're nearing the end of the fundraising for your two flagship funds, should we expect other funds to close – possibly close for next year? Just, you know, wondering if you could try to give a sense on that. Thank you.

Christian Sinding: Yeah. We talked earlier this year about the statistics on which companies were affected in our portfolio and which were not. Those are roughly still the same. So, you know, we said, you know, I think, around 10% of the portfolio or so were companies that were more impacted by COVID than otherwise. And we also expected earlier that we would be – that we would require about 5% of the capital in our companies to – in our funds to support the companies.

The statistics now are we've only needed 1% of the capital to support the companies. I think we've been pretty successful in working with our – working with the companies, and working with the financing providers, and others to, you know, help the companies to where we are today. Of course, we don't know what's going to happen with the pandemic now. So it's a little bit hard to give a prognosis.

And the way that these more effective companies are placed, it's maybe one or maximum two companies per fund across a number of different funds. So it's a – per fund, you know, it's a relatively smaller – or, you know, quite a small exposure. And again, if you flip it around, that's as a result of our investment strategy, which is focussing on those sectors I just mentioned in the last question – you know, TMT, healthcare, essential services, essential infrastructure.

So yeah, that – I think that gives some facts. Maybe Kim wants to add to it and answer the other two questions?

Kim Henriksson: No. That – thank you, Chris. No, that's fine. That's right on the pandemic and the fundraising.

So in terms of performance fees, I would just reiterate what I said that that sort of EQT VII is the next of our key funds to be in carry mode. And if you look at the numbers right now, that looks like we would be in carry mode at the end of this year, assuming that things continue as they are right now. That's approximately what I would say on that.

I don't remember what – was there another question still – fundraising? Yeah?

Christian Sinding: Yeah. You – maybe you could repeat your question on fundraising? That wasn't totally clear –

Hubert Lam: Yes.

Christian Sinding: – to me.

Hubert Lam: Sorry. So –

Christian Sinding: It's okay.

Hubert Lam: – you're nearing the completion of your two – fundraising for your two flagship funds. So I'm just wondering, for next year, are there any other funds that are also expected to close as well? Like, I assume there's, like, smaller funds. Just anything to kind of look out for?

Christian Sinding: I think I'll answer it slightly differently. We have – you know, Real Estate II just closed. And Public Value, which is one of our newer strategies, is an open-ended fund so – with certain, you know, longer-term lock-ins. So it's something which is more like, you know, permanent capital, in a sense. That one is continuously fundraising. So that's part of the answer.

And then, you know, we will launch EQT Growth at some point during next year. But it's too early to tell when any first closings would be of that. Anything to add, Kim?

Kim Henriksson: No. Those would be the key ones.

Hubert Lam: Great. Thank you.

Operator: And the next question comes from the line of Maths Liljedahl from SEB. Please go ahead.

Maths Liljedahl (SEB): Yes. Good morning, guys. It's extensive Q&A session, so I think most of my questions have been answered. But just a small technical one, Kim. If Infra V is activated from November 1, then we should have the step-down on – of Infra IV from that date. That is how we should see it or…?

Kim Henriksson: Yeah. We expect Infra V to be activated from November 1. And the – and then, you would calculate the management fee on whatever fund investors have committed to at the end of this year then. So not on the full amount, but rather what would be in the books by the end of this year. And yes, the step-down would be there, but based on whatever the number was at the end of June.

Maths Liljedahl: Okay. Thank you.

Operator: And the next question comes from the line of Jens Ehrenberg from Citi. Please go ahead.

Jens Ehrenberg (Citi): Hi. Good morning, guys, and thank you. Yeah. Not many questions left on my side. I have just a couple of follow-ups here left.

On the COVID-19 portfolio update, I was just looking at Slide 12, and I appreciate you mentioned the 10% probably more impacted companies in your portfolio. Just to get a bit of a feel of how that's distributed between, I suppose, the beneficiaries on the one hand side and the more structural impacted companies within your portfolio on the other hand side. Is that – would you said that's, I don't know, fairly balanced or is that more skewed towards one or the other side? I appreciate mostly we're always talking about, yeah, more impacted companies in these times rather than performing ones. I'm just trying to get an idea of that.

And the second question I had is on – just very briefly, on the JV within your Real Estate fund that you have announced with Sigma Capital in the UK. I was just curious, what exactly, beyond the capital in that JV, you'd bring to the table, in terms of the – well, yeah, really that sort of – the ultimate investment that will be done in the UK that's in first half of next year? Thank you.

Christian Sinding: The – do you want to take – do you want to start on the first one, Kim or…?

Kim Henriksson: I'm not sure I followed the question, really. Do you think –

Olof Svensson: So –

Kim Henriksson: Olof, did you…?

Olof Svensson: Yeah, I can give it a go. So I think the first question was around what share of impacted companies we have versus the beneficiaries in the portfolio. And I think it's fair to say defining the impacted companies the way we have described is probably more clear-cut than defining the beneficiaries. I mean, as we said, we have about a handful of companies in the impacted category and those are companies that are quite significantly impacted by this. And it's quite clear we've had equity injections in the quantums that Chris referred to earlier.

In the beneficiaries category, there are various aspects of beneficiaries in this. So it's harder to put an exact number on exactly how many companies those are. But this relates, you know, to some more degree, in terms of themes that we're seeing – you know, increase in data usage, for example – for the – benefit some of these companies. And as I said, there are some companies in the ventures front, for example, that benefit from changes in consumer behaviours, etc. So there are probably more companies in this category than there are in the significantly impacted category, but it's on a broader scale system.

Christian Sinding: Yeah. Thank you, Olof. I could answer – I could give you maybe a slightly different twist to it. Just at a higher level, if you look at the targets for our funds, they remain as they were before. It may take a little bit longer time for some of them to get there. Some of them might actually perform a little bit better over time. Let's see for the key funds.

And you can also look at the valuations overall from December, you know, through the different quarters till now. In total, were – you know, the valuations of the portfolio are up 6% for the year. I'm looking in the wrong place now. I'm looking at the TV. So that also gives an indication as to the balance of how this is playing out.

So I think Olof characterised it very well. And that other element maybe gives you some more meat to the bone.

Jens Ehrenberg: Yeah. That's helpful.

Kim Henriksson: And with –

Christian Sinding: And on Real Estate, you know, we're going to be investing this strategy over time. It's really a joint venture where our partner is going to be somewhat more operational and we're going to be, you know, more strategic. But it's something that – you know, it's a sector that we know very well.

We've done similar investments also in France in, you know, either assisted living or, you know, low-cost living. And we believe, you know, that whole segment – within our strategy of sheds and beds, this is obviously within the bed strategy and we find it to be quite exciting.

Jens Ehrenberg: Yeah. Thank you.

Operator: And just as a reminder, if you do wish to ask a question, please dial zero, one on your telephone keypad now.

We have another question from the line of Mike Werner from UBS. Please go ahead.

Michael Werner (UBS): Thank you very much. Apologies if this was addressed here. But I was just curious, with regards to the waivers on the lock-ups of the shares related to your discontinued businesses. I think you expect shares up to about 1.5% of EQT's capital base to be sold. Do you have an idea, from a timing perspective, is that something we can expect between now and year-end or is this something that we can expect more in 2021? Thank you. And sorry, just – you know, do we expect this to be done in a single process or is it something that could be done on a rolling basis? Thank you.

Christian Sinding: Olof?

Olof Svensson: Sure. So this relates to up to 1.5% of the share capital, so it may not necessarily be that full amount. I think once we know exactly how much will be sold, we will take, you know, final decisions, in terms of exactly how we execute that. I think what we've said is that it will be a process that we coordinate from EQT AB. And we will do it in a way that we think is in the best interest for the share. And it's also an opportunity to – you know, on the margin, improve our free float slightly.

In terms of the timing question, again, I think it will depend on various factors. But we may release some of those shares into the market before year-end, as you said. Yes.

Michael Werner: Thank you.

Operator: And as there are no further questions, I'll hand it back to the speakers for closing remarks.

Christian Sinding: Thank you, everybody, for participating and listening today. Thanks for, as always, very good questions. We appreciate the support. And have a great day. Thanks a lot. Bye-bye.

[END OF TRANSCRIPT]