

Conference Call Year-end Report 2019

February 12, 2020





Purpose
Why we exist

Vision
What we **strive** for

Mission
What we **do** and **how**

to **future-proof companies** and
make a **positive impact**

to be the **most reputable**
investor and owner

With the **best talent** and **network** around the world, EQT uses a
distinct **value creation approach** and **thematic investment strategy**
to **future-proof companies**, creating **superior returns** and
making a **positive impact with everything** we do



Record 2019 – The year in short

Investments and exits	<ul style="list-style-type: none">• Total investments by the EQT funds amounted to EUR 11.9bn (EUR 8.6bn) in 2019, up 38% y-o-y• Total gross fund exits by the EQT funds amounted to EUR 8.0bn (EUR 5.1bn) in 2019, up 58% y-o-y• Investment level, as of February 12, 2020, was 70–75% in both EQT VIII and in EQT Infrastructure IV	€11.9bn Capital invested	€8.0bn Exits
Value creation	<ul style="list-style-type: none">• Value creation in EQT’s key funds developing “On plan” or “Above plan”• Elevating our ambitions around sustainability. We lead by example	On plan EQT VI–VIII	On plan EQT Infra II & IV Above plan EQT Infra III
Fundraisings, AUM and FTE+	<ul style="list-style-type: none">• Fee-generating AUM increased to EUR 39.9bn (EUR 36.6bn)• Initiated work to ensure adequate capital for future investments in Infrastructure IV• Target size of EQT IX announced at EUR 14.75bn	€39.9bn AUM	706 FTE+
Key Financials	<ul style="list-style-type: none">• Adjusted total revenue amounted to EUR 606m (EUR 393m), up 54% y-o-y, driven by management fees from EQT Infrastructure IV and EQT VIII• Adjusted EBITDA amounted to EUR 275m (EUR 156m), corresponding to a margin of 45% (40%)• Proposed dividend per share – SEK 2.20, to be paid in two equal installments, in June and in December 2020	€606m Adj. Revenue	45% Adj. EBITDA margin

We have a differentiated and sustainable investment approach



Theme- and sector-based approach

Long-term winners



Local-with-locals

~700 FTE+ in 16 countries, 90% of deals done locally



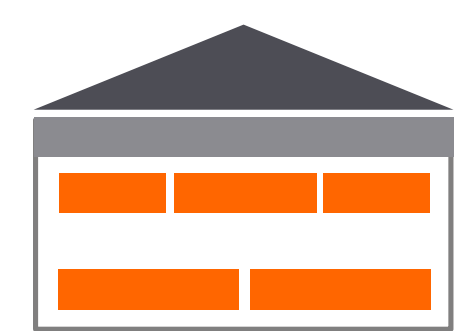
Clear governance model

Clear setup, alignment and value creation



500+ EQT advisors

Value creation approach, underpinned by strong network



House of value creation

Best practices framework for driving returns across platforms



Approach to sustainability

Sustainability a focus throughout the investment cycle



Digitalization and transformation

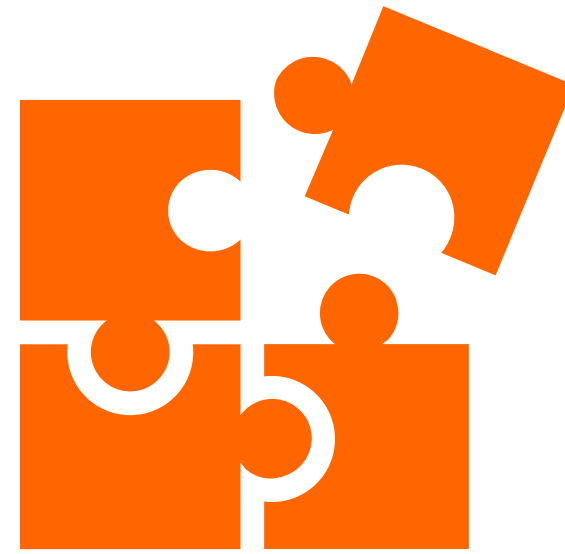
Digitalization to drive returns and future-proof companies



Elevating our societal ambitions



How EQT navigates the business cycle



Fund Level



Thematic investments in **non-cyclical sectors** characteristics



Portfolio construction



Global Investments Forum ensure **consistent approach**



Portfolio company level



"What if" preparations at portfolio company level



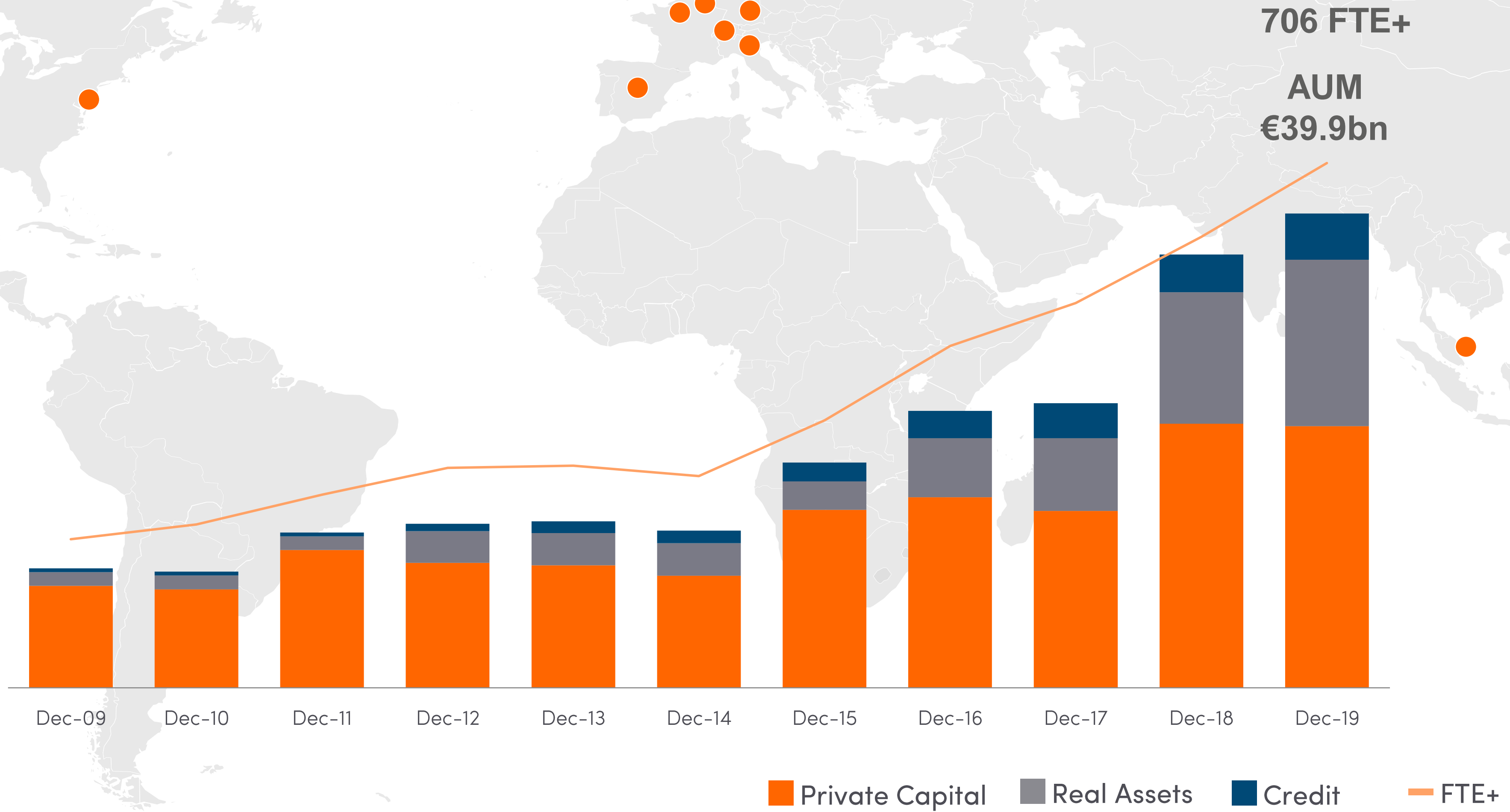
Flexible financings



Growth and performance is in our DNA

2.5x
Realized gross
MOIC*

19%
Net
IRR*



706 FTE+
AUM
€39.9bn



Strategic update



EQT Growth

- The strategy is positioned in between Ventures and Private Equity
- Ongoing preparations with team build-up and strategy setting



Expand in APAC

- Sydney office opened
- Plans for Tokyo office
- A growth area for Infrastructure and Private Equity



Real Estate

- Preparations for growing real estate ongoing, including:
- Managed to Prime
- New Geographies



M&A

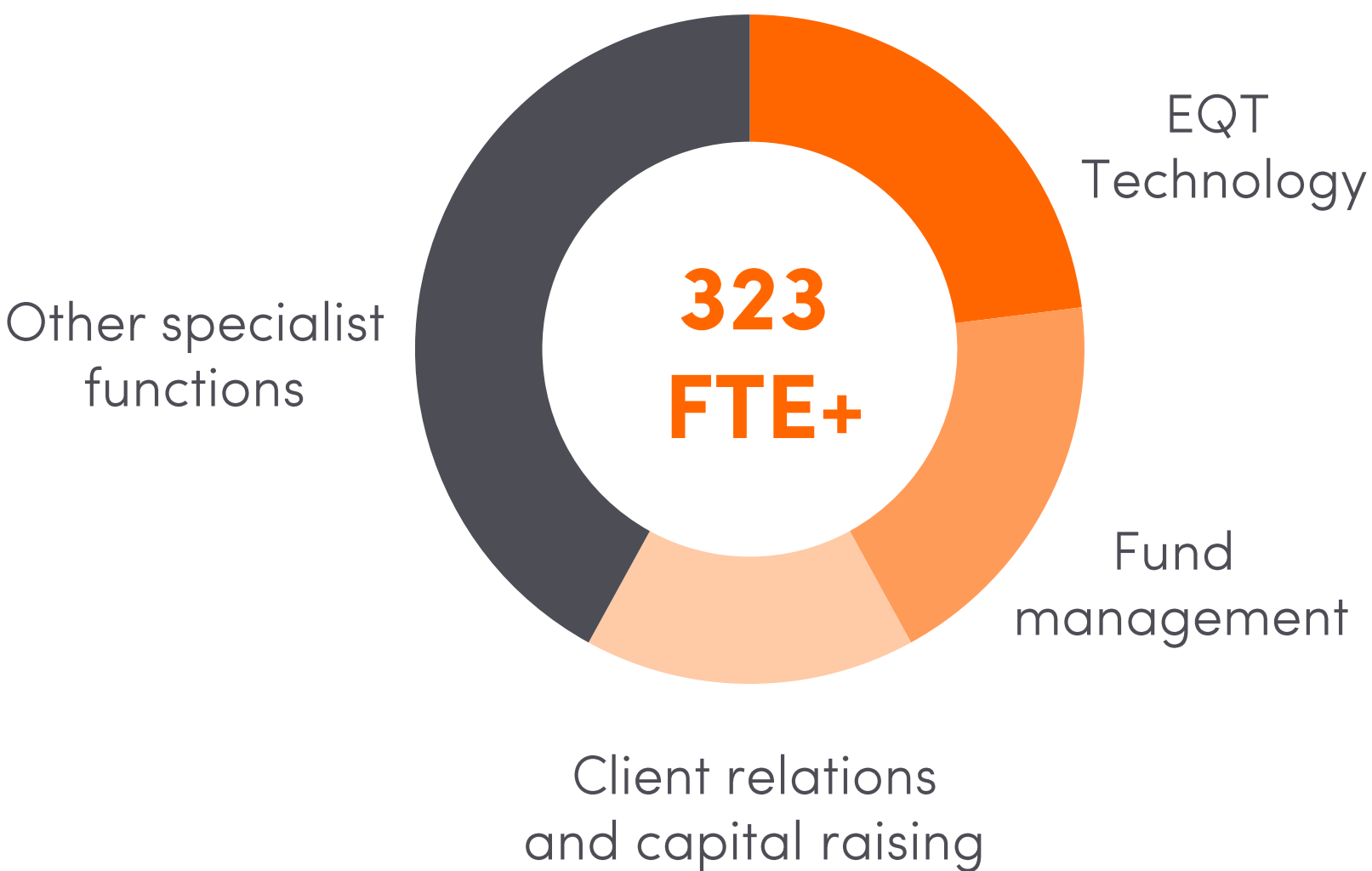
- Selective M&A – focus on areas where we can scale further

Credit

- Strategic review ongoing
- Business as usual during the process
- Equity committed into first two CLOs

Operating platform set for growth

Well-invested platform...



...continuously scaling through

-  Standardization
-  Automation & AI
-  Simplification
- MOTHER BRAIN

Enabling the **investment organization** to focus on transactions and **developing companies**



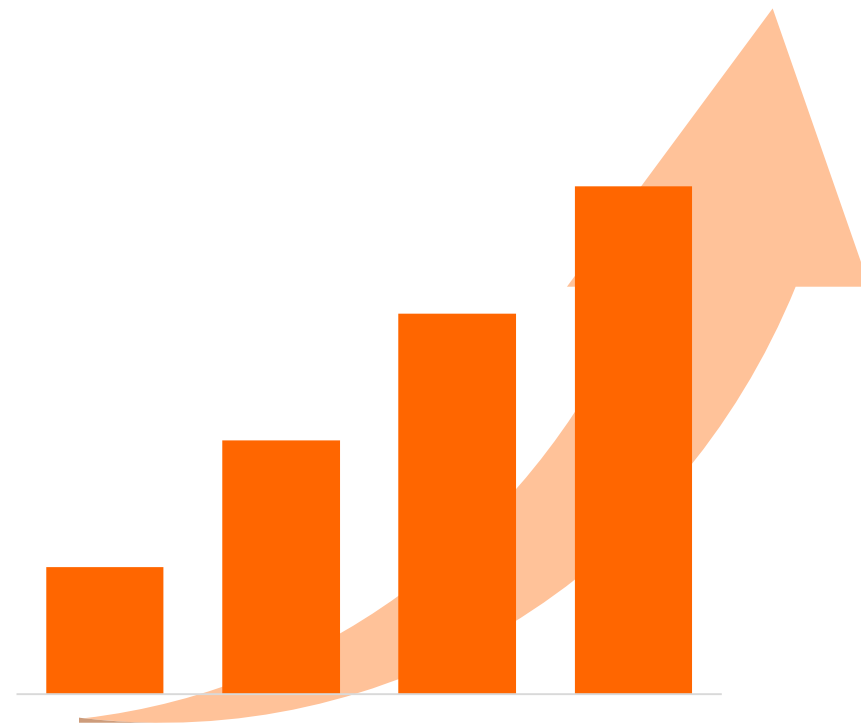
Financials

Our business model is long-term, simple and scalable

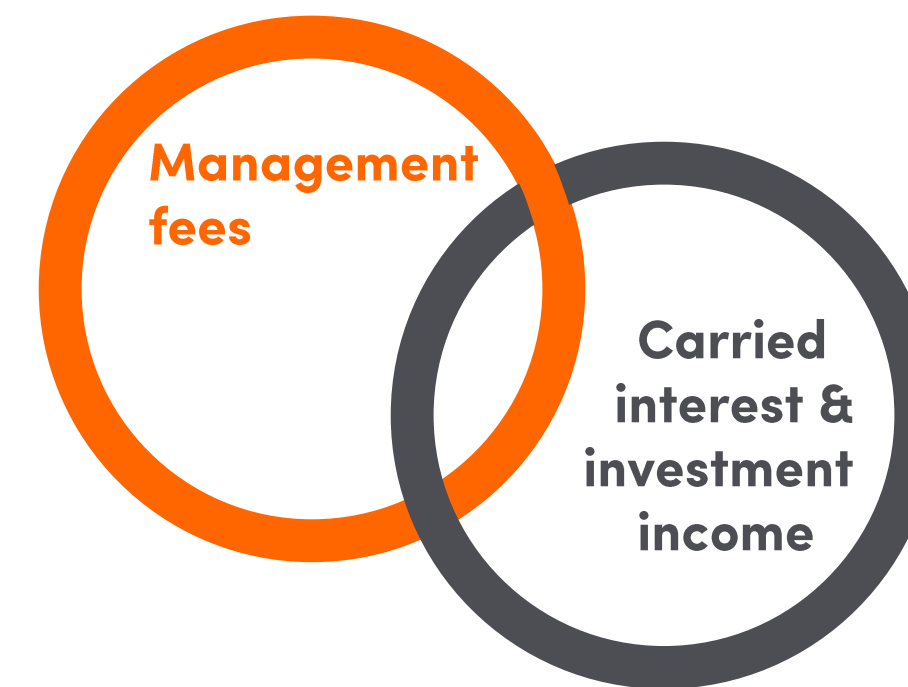
Attractive client returns...



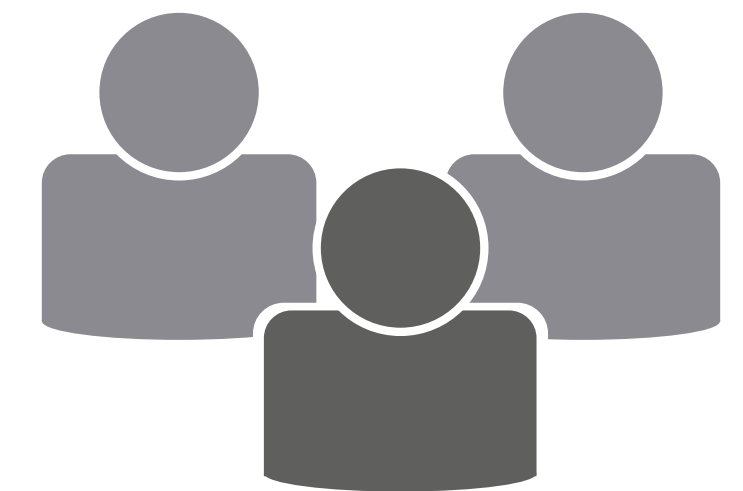
... growth in AUM...



...with integrated revenue streams...



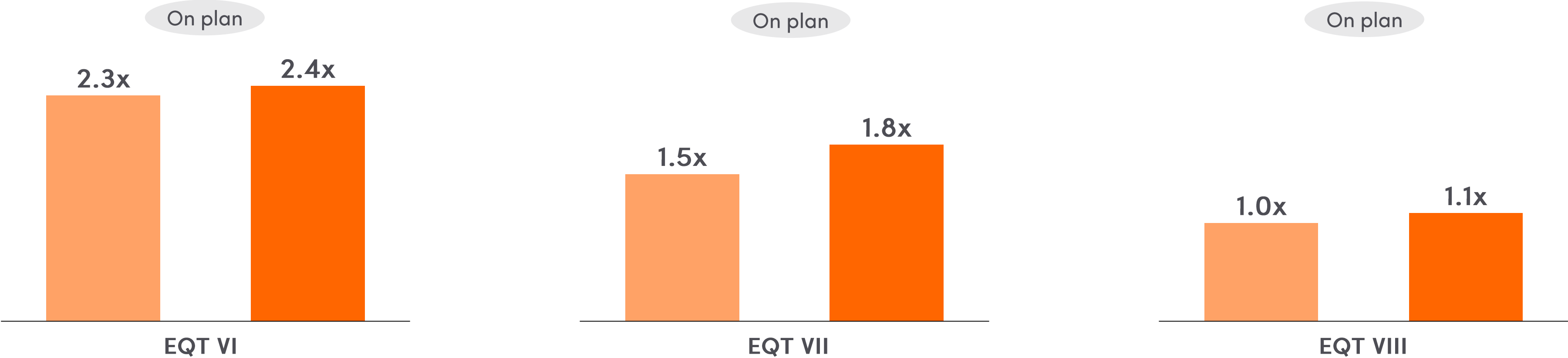
...and a predictable cost base



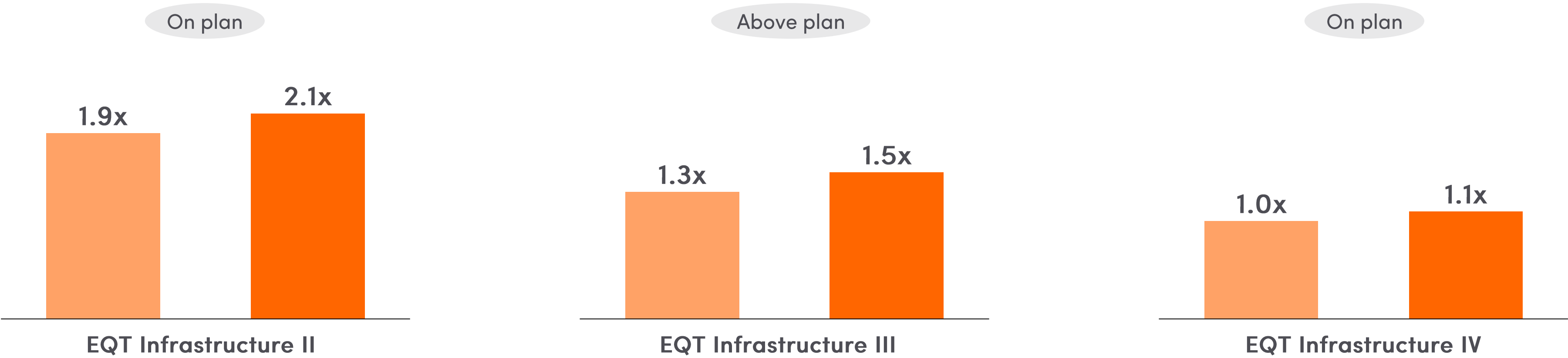


Continued value creation across key funds in 2019

Private Capital



Real Assets



Gross MOIC Dec-18 Gross MOIC Dec-19 Expected Gross MOIC

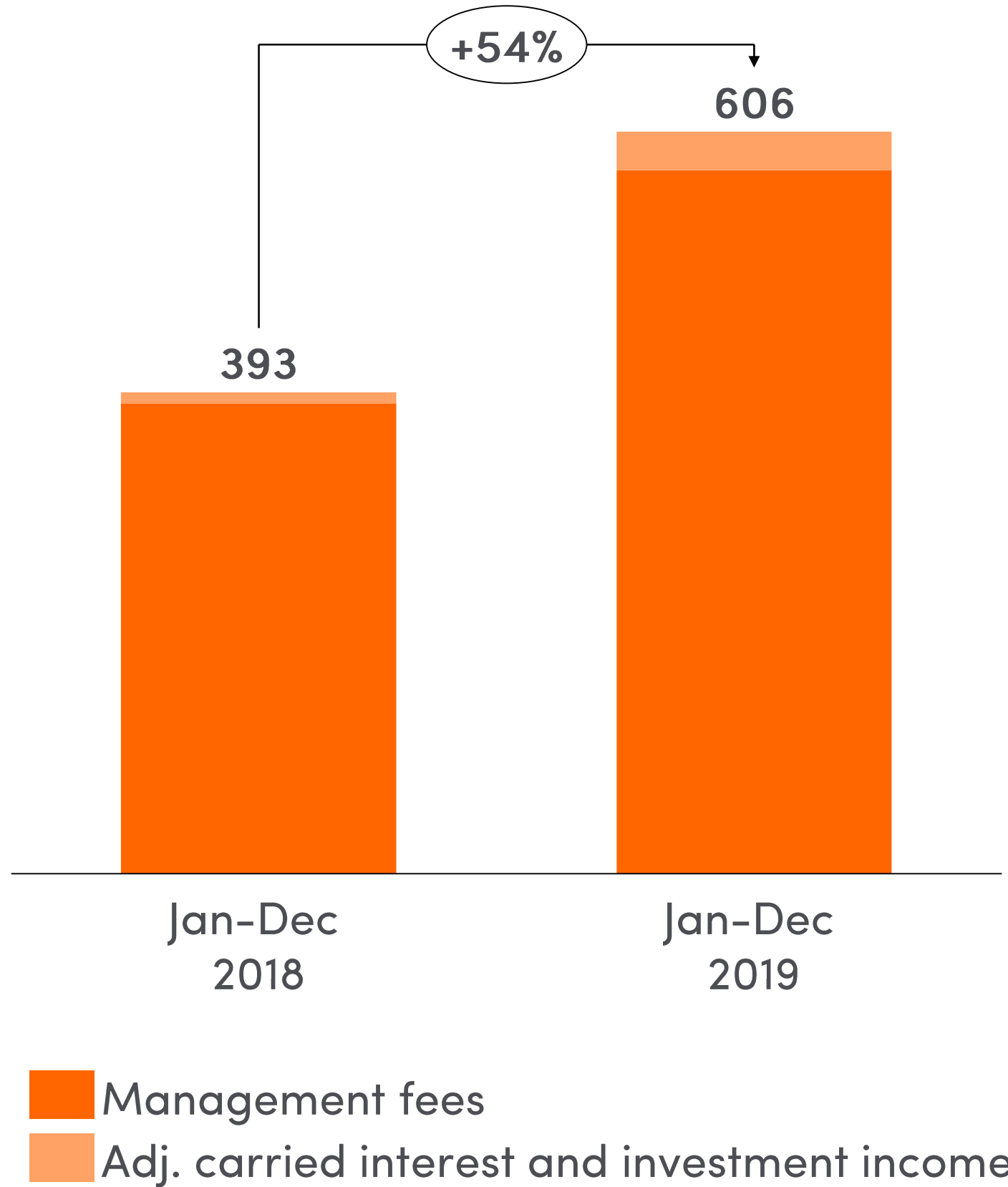
Note: Data for current Gross MOIC reflects only closed investments and realizations. For Private Equity funds (part of segment Private Capital), target Gross MOIC amounts to 2.3x and “On Plan” refers to expected Gross MOIC between 2.0-2.5x. For Infrastructure funds (part of segment Real Assets), target Gross MOIC amounts to 2.0x and “On Plan” refers to expected Gross MOIC between 1.7-2.2x.



Revenue and EBITDA growth demonstrating scalability

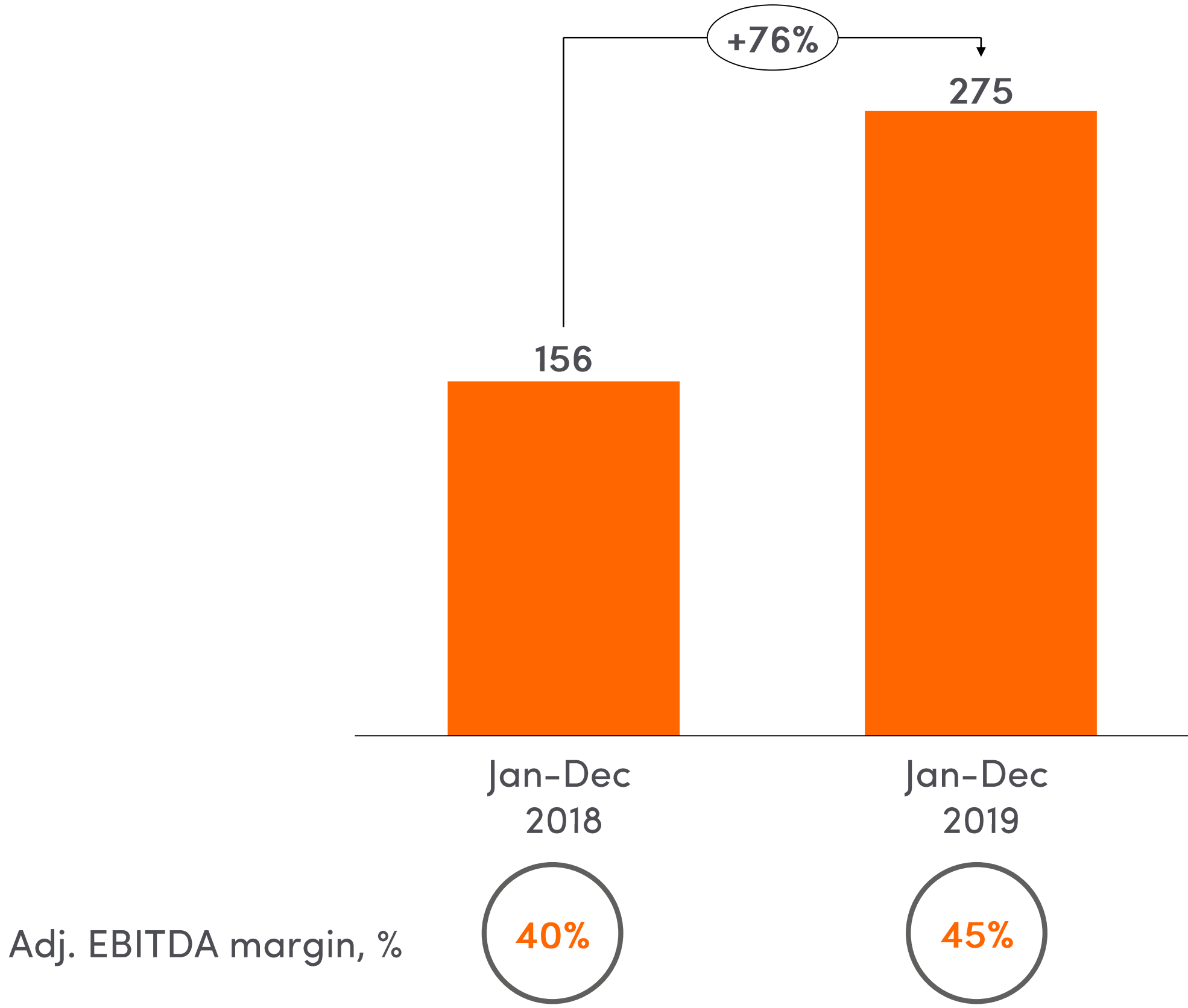
Adjusted total revenue

(EURm)



Adjusted EBITDA

(EURm)



Segment results: Private Capital

Key metrics

	FY 2019	FY 2018	Growth
Fund investments, €bn	4.9	5.1	-4%
Gross fund exits, €bn	5.5	3.5	68%
Adj. revenue, €m	331	256	29%
Gross segment result, €m	207	163	27%
Gross segment margin, %	63%	64%	
FTE+, end of period	236	226	4%
AUM, end of period	22.0	22.3	-2%
AUM, average	22.2	19.6	13%

Full year 2019 comments

- Total investments by the EQT funds in Private Capital of EUR 4.9bn (EUR 5.1bn)
- Total gross fund exits of EUR 5.5bn (EUR 3.5bn)
- AUM of EUR 22.0bn (EUR 22.3bn)
- Adjusted revenue of EUR 331m (EUR 256m), driven by full year effect of management fees from EQT VIII
- Gross segment margin amounted to 63% (64%)



Segment results: Real Assets

Key metrics

	FY 2019	FY 2018	Growth
Fund investments, €bn	4.7	2.4	97%
Gross fund exits, €bn	1.4	0.6	125%
Adj. revenue, €m	231	95	144%
Gross segment result, €m	177	58	208%
Gross segment margin, %	77%	61%	
FTE+, end of period	106	86	23%
AUM, end of period	14.0	11.0	27%
AUM, average	13.9	6.4	115%

Full year 2019 comments

- Total investments by the EQT funds in Real Assets of EUR 4.7bn (EUR 2.4bn)
- Total gross fund exits of EUR 1.4bn (EUR 0.6bn)
- AUM increased to EUR 14.0bn (EUR 11.0bn)
- Adjusted revenue of EUR 231m (EUR 95m), driven by management fees from EQT Infrastructure IV
- Gross segment margin increased to 77% (61%)





Segment results: Credit

Key metrics

	FY 2019	FY 2018	Growth
Fund investments, €bn	2.3	1.1	101%
Gross fund exits, €bn	1.1	1.0	16%
Adj. revenue, €m	36	35	2%
Gross segment result, €m	12	21	-42%
Gross segment margin, %	34%	60%	
FTE+, end of period	41	34	21%
AUM, end of period	3.9	3.2	24%
AUM, average	3.5	3.1	14%

Full year 2019 comments

- Total investments of EUR 2.3bn (EUR 1.1bn) in Direct Lending, Special Situations and Senior Debt
- Total gross fund exits of EUR 1.1bn (EUR 1.0bn)
- AUM increased to EUR 3.9bn (EUR 3.2bn)
- Adjusted revenue of EUR 36m (EUR 35m)
- The margin decreased to 34% (60%), primarily driven by an expansion of the team, establishment cost related to CLOs and a lower amount of carried interest and investment income

Review of
strategic
alternatives
initiated

€3.9bn
AUM

41
FTE+

Group operating expenses

Key metrics

	FY 2019	FY 2018	Growth
Adj. personnel expenses, €m	217	151	43%
Adj. other operating expenses, €m	115	86	34%
Adj. total operating expenses, €m	331	237	40%
FTE, end of period	645	527	22%
FTE+, end of period	706	601	17%

Full year 2019 comments

- The number of FTEs increased in 2019 across business lines, geographies and central functions
- The increase was primarily driven by growth in Private Capital and Real Assets, digitalization initiatives and the preparation of the organization for the IPO
- Increase in personnel costs was driven by a higher number of FTEs and an increase in average cost/FTE primarily due to the new Partner compensation model



Income statement

Consolidated income statement

FY 2019 (€m)	Adjusted	IAC*	Revenue adj.	IFRS
Total revenue	606		-6	600
Personnel expenses	-217	-14		-230
Other operating exp.	-115	-46		-161
EBITDA	275	-60	-6	208
D&A	-30			-30
EBIT	245	-60	-6	178
Net financial items	-6			-6
Income taxes	-26	13		-13
Net income	213	-47	-6	160

FY 2018 (€m)	Adjusted	IAC*	Revenue adj.	IFRS
Total revenue	393			393
Personnel expenses	-151			-151
Other operating exp.	-86	-7		-93
EBITDA	156	-7		149
D&A	-19			-19
EBIT	137	-7		130
Net financial items	-2			-2
Income taxes	-9	2		-8
Net Income	127	-6		121

Full year 2019 comments

- Revenue adjustments of EUR 6m (EUR 0m) related to the acquired entitlement to carried interest in EQT funds during 2019
- Items affecting comparability at an EBITDA level amounted to EUR 60m (EUR 7m), of which:
 - Reorganization of EQT's corporate structure and IPO related costs of EUR 28m (7m)
 - A one-off provision of EUR 32m due to the VAT ruling announced by the Supreme Administrative Court of Sweden on January 27th, 2020. The ruling is not expected to have a material impact on EQT AB Group's future results or its financial position

Increase in cash flow and total assets

Key cash flow items

€m	FY 2019	FY 2018
Net cash from / (used in) operating activities	244	134
Net cash from / (used in) investing activities	-45	-41
Net cash from / (used in) financing activities	437	84
Net increase in cash and cash equivalents	636	176
Cash and cash equivalents at the beginning of period	264	89
Translation differences	8	-1
Cash and cash equivalents at end of period	909	264

- Operating cash flow, primarily driven by increased management fees
- Increased cash flow from financing activities driven primarily by capital raised in IPO

Key balance sheet items

€m	FY 2019	FY 2018
Assets		
Total non-current assets	229	113
Total current assets	1,193	413
Total assets	1,429	526
Equity and liabilities		
Total equity	1,082	331
Total liabilities	347	195
Total equity and liabilities	1,429	526

- Total current assets grew primarily due to cash and cash equivalents from the IPO proceeds
- Total equity increased as an effect of the IPO and retained earnings



Financial targets and dividend policy

Financial targets and dividend policy

Growth Total revenue growth exceeding the private markets' long-term growth rate

Profitability Adjusted EBITDA margin of 55–65%

Dividend policy To generate a steadily increasing annual dividend in absolute euro-denominated terms



Targets should be considered over a fund cycle



Questions?



Appendix

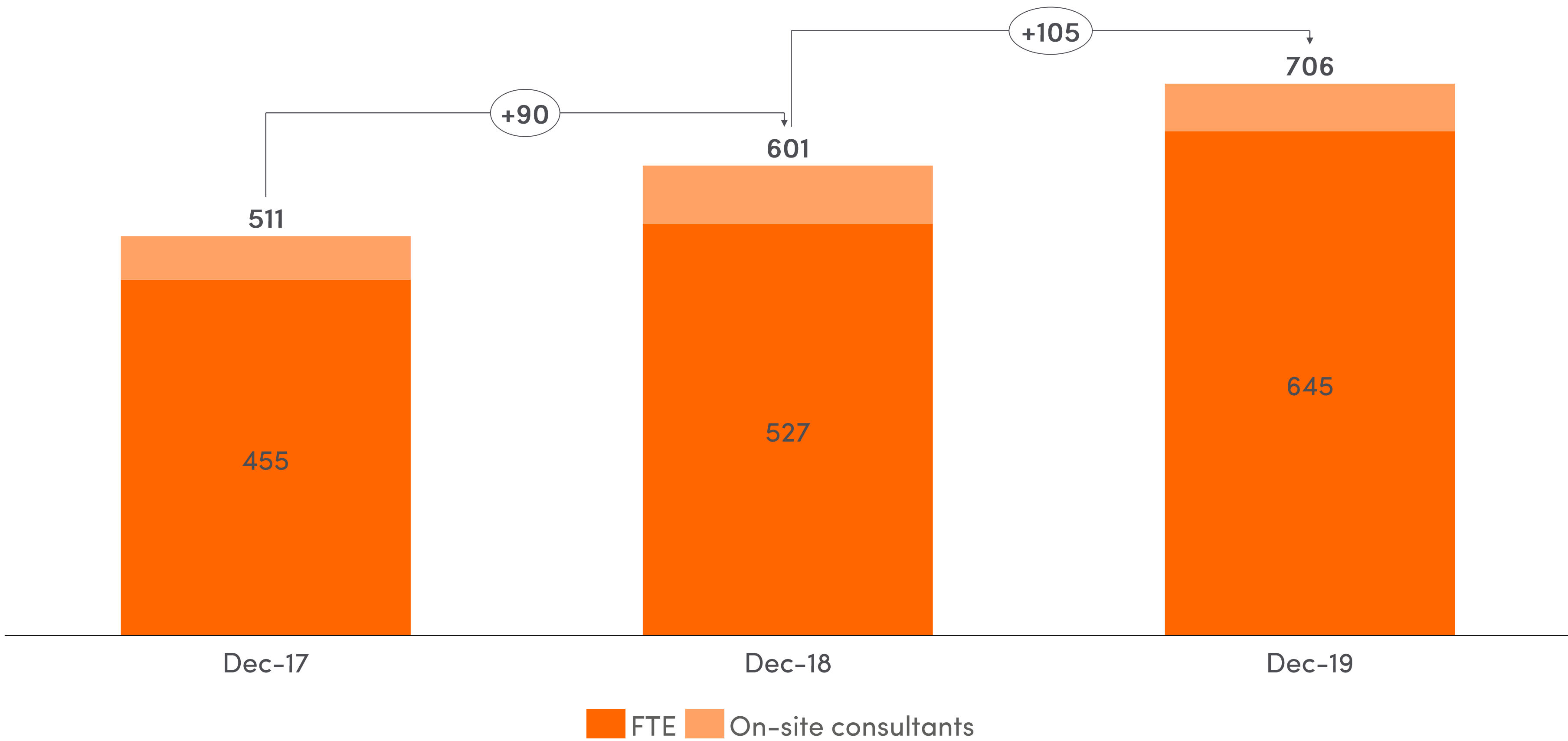
Financial data

2019 key metrics

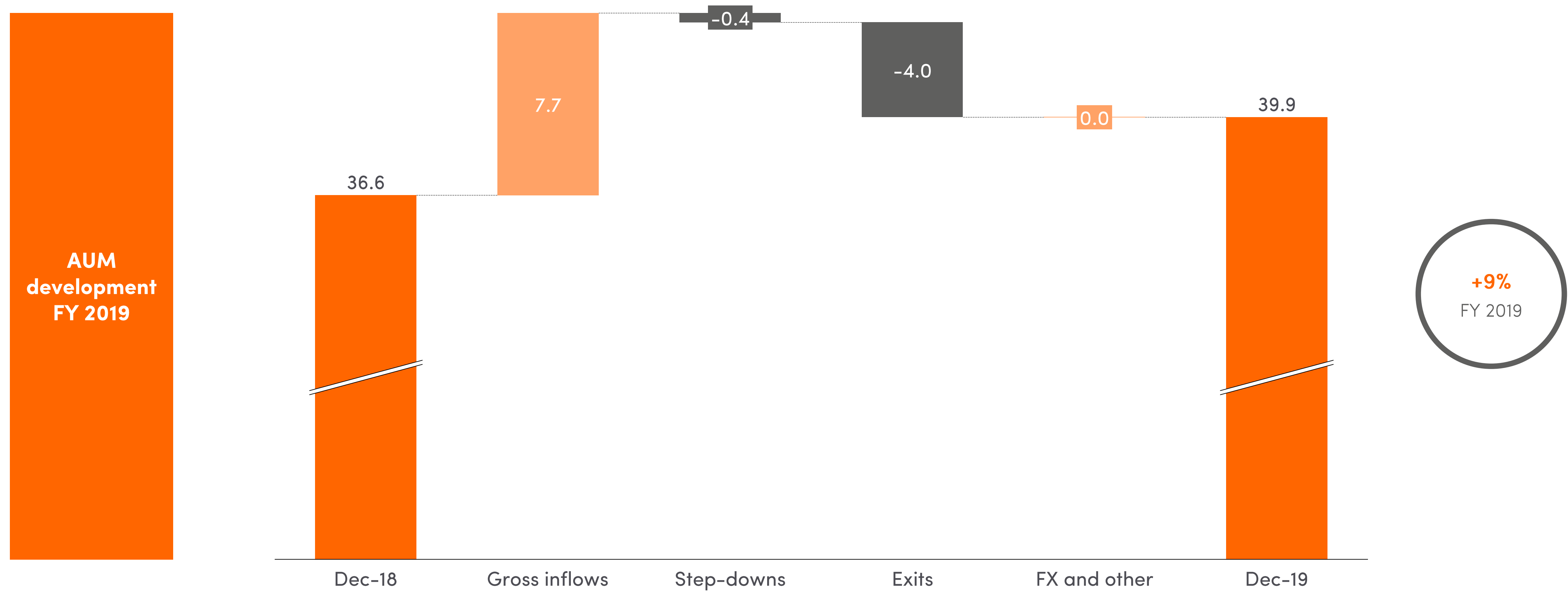
Key metrics

	FY 2019	FY 2018	Change (%)
Investments by the EQT funds, €bn	11.9	8.6	38%
Gross fund exits, €bn	8.0	5.1	58%
Management fees, €m	574	384	49%
Adj. carried interest and investment income, €m	31	9	244%
Adj. revenue, €m	606	393	54%
Adj. EBITDA, €m	275	156	76%
Adj. EBTIDA Margin, %	45%	40%	
Adj. net income, €m	213	127	69%
AUM, €bn	39.9	36.6	9%
Avg. AUM, €bn	39.6	31.2	27%
Effective management fee rate, %	1.40%	1.40%	
FTEs (end of period)	645	527	22%
FTE+ (end of period)	706	601	17%

Number of employees



AUM development in 2019



Carried interest recognition update

Carried interest recognition*

- Timing of recognition depending on **fund deployment, performance and realized values through exits**
- Carried interest recognized once **highly probable** that it would **not result in a significant reversal** (not mark-to-market)
- Unrealized investment valuations discounted at **30-50%** (depending on investment strategy and average time to exit)

“Rule of thumb” on initial recognition



~4-6 years after first investment

Status of carried interest recognition

- EQT VI and EQT Infrastructure II have recognized revenue from carried interest to date
- Status for EQT VII and EQT Infrastructure III as below:

Metrics, as of YE 2019	EQT VII	EQT Infrastructure III
Gross MOIC	1.8x	1.5x
Number of exits	3	0
Years since first investment	~4.5	~3

- EQT VIII and EQT Infrastructure IV are in the investment period





Balance sheet

Assets

(EURm)	2019	2018
Non-current assets		
Goodwill	15	15
Other intangible assets	22	15
Property, plant and equipment	113	57
Financial investments	71	18
Other financial assets	3	3
Other non-current assets	4	6
Deferred tax assets	8	0
Total non-current assets	236	113
Current assets		
Current tax assets	8	5
Accounts receivable	6	1
Other current assets	113	116
Prepaid expenses and accrued income	158	26
Cash and cash equivalents	909	264
Total current assets	1,193	413
Total assets	1,429	526

Equity and liabilities

(EURm)	2019	2018
Equity		
Share capital	9	0
Other paid in capital	837	228
Reserves	-7	-5
Retained earnings including net income	242	108
Total equity attributable to owners of the parent company	1,082	331
Non-controlling interest	-	0
Total equity	1,082	331
Liabilities		
Non-current liabilities		
Lease liabilities	76	38
Deferred tax liabilities	2	4
Total non-current liabilities	78	42
Current liabilities		
Interest-bearing liabilities	9	15
Lease liabilities	14	8
Current tax liabilities	19	7
Accounts payable	12	13
Other liabilities	74	24
Accrued expenses and deferred income	140	85
Total current liabilities	269	153
Total liabilities	347	195
Total equity and liabilities	1,429	526



Appendix

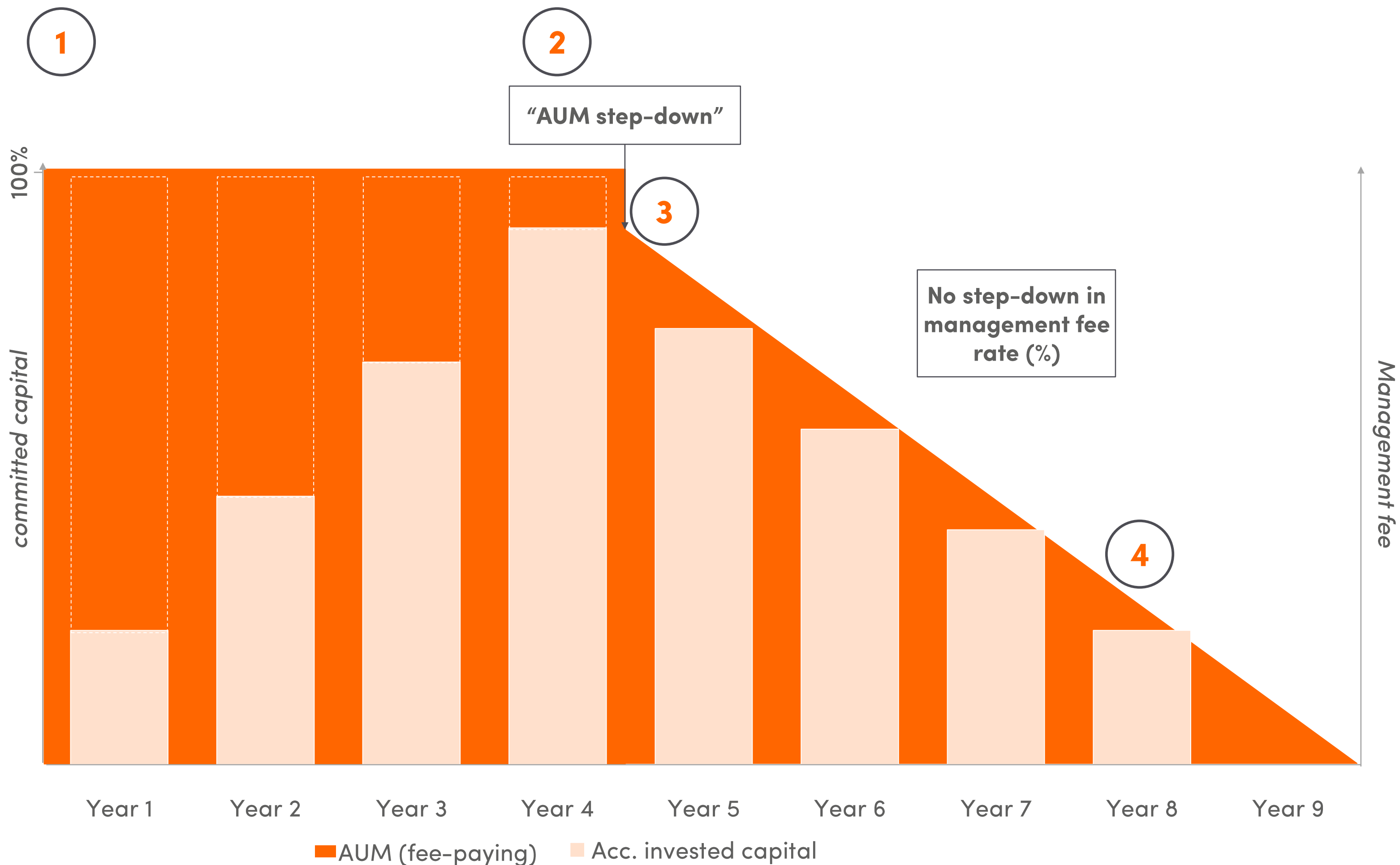
How the model works



How does EQT's AUM and management fee model work?

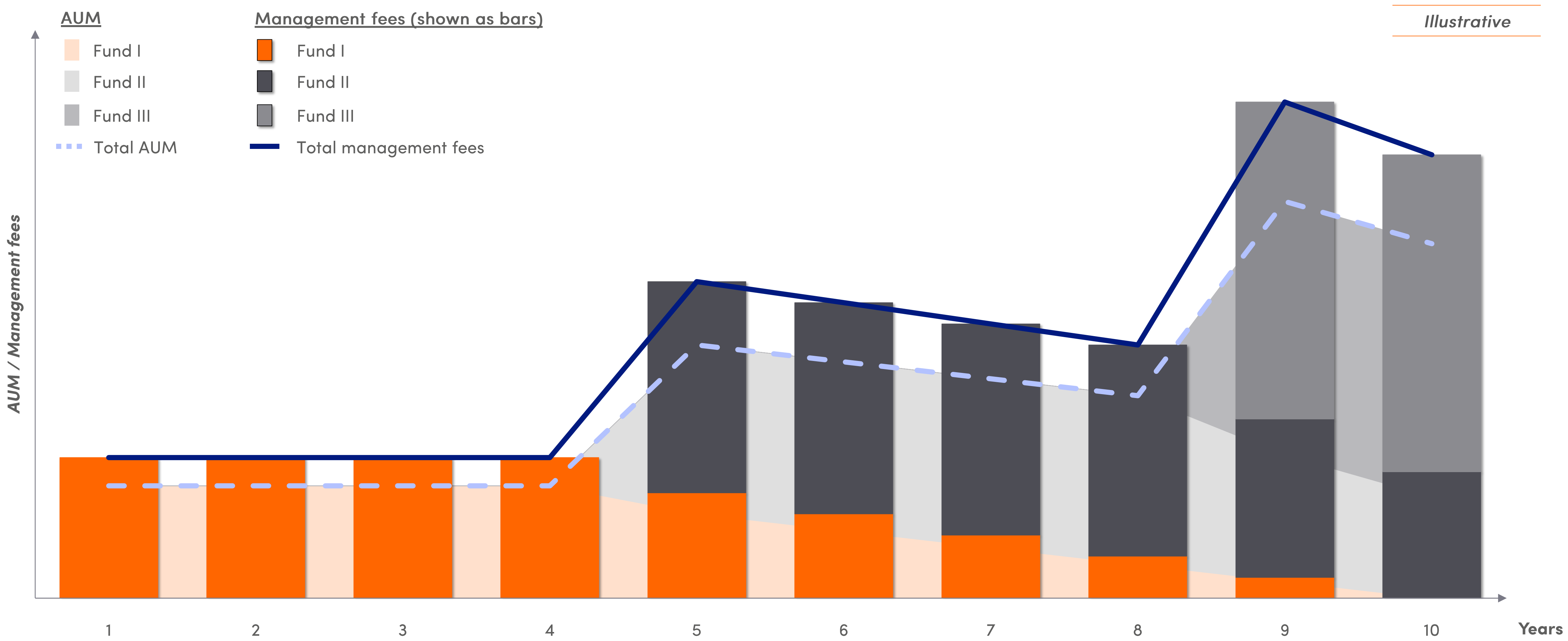
Illustrative

- 1 A fund is raised and fees are charged on **total committed capital**
- 2 Successor fund is normally started when ~80-90% of the fund is invested. **Successor fund charges fees on committed capital**
- 3 Management fee on predecessor fund is then charged on **net invested capital** ("step-down")
- 4 As the fund exits companies, the **net invested capital declines**. After 8-12 years, the fund is typically terminated



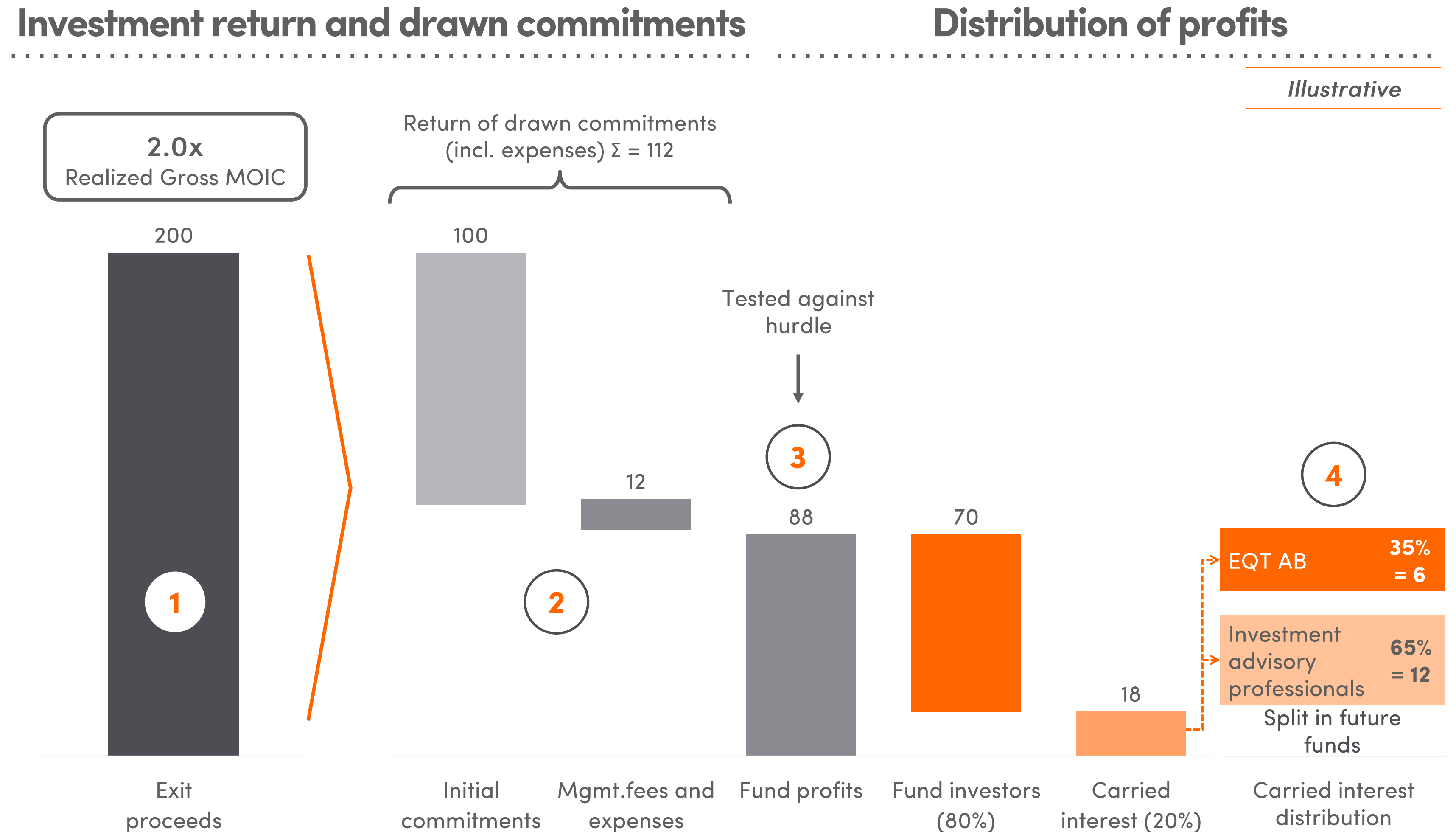


AUM drives contractual management fees with good visibility



How does EQT's carried interest model work?

- 1 An illustrative fund realizes a gross return of 2.0x on invested capital
- 2 Invested capital returned to fund investors and expenses repaid
- 3 If fund profits exceed the hurdle, carried interest is earned on **all** profits
- 4 EQT AB Group expected to receive 35% of carried interest in future funds



What is the status of EQT's key funds?

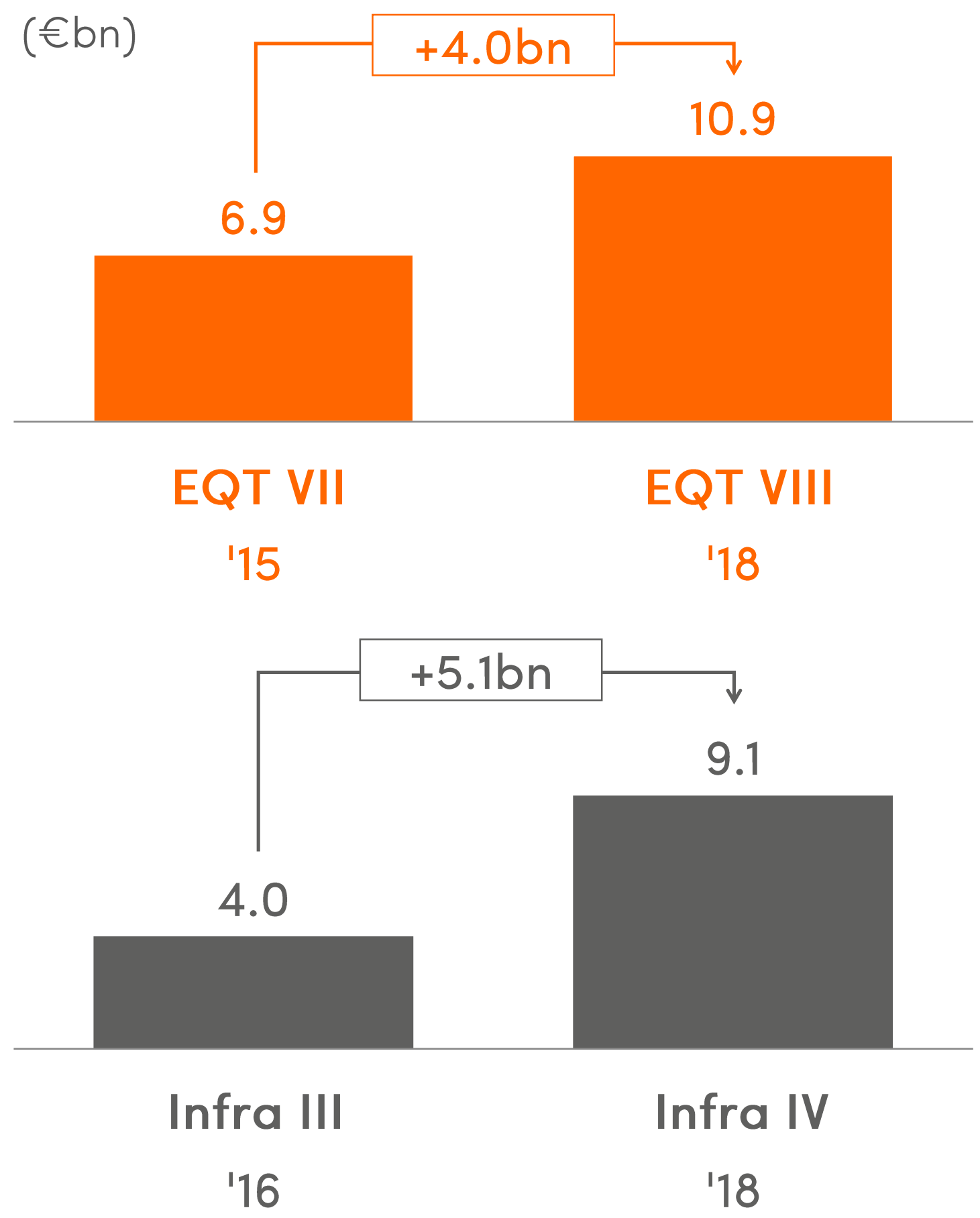
General fund characteristics

- ~80-90% invested** Successor fund normally starts
- 4-5 years** "Normal" commitment period
- 2-3 years** Actual commitment period in last fund generations

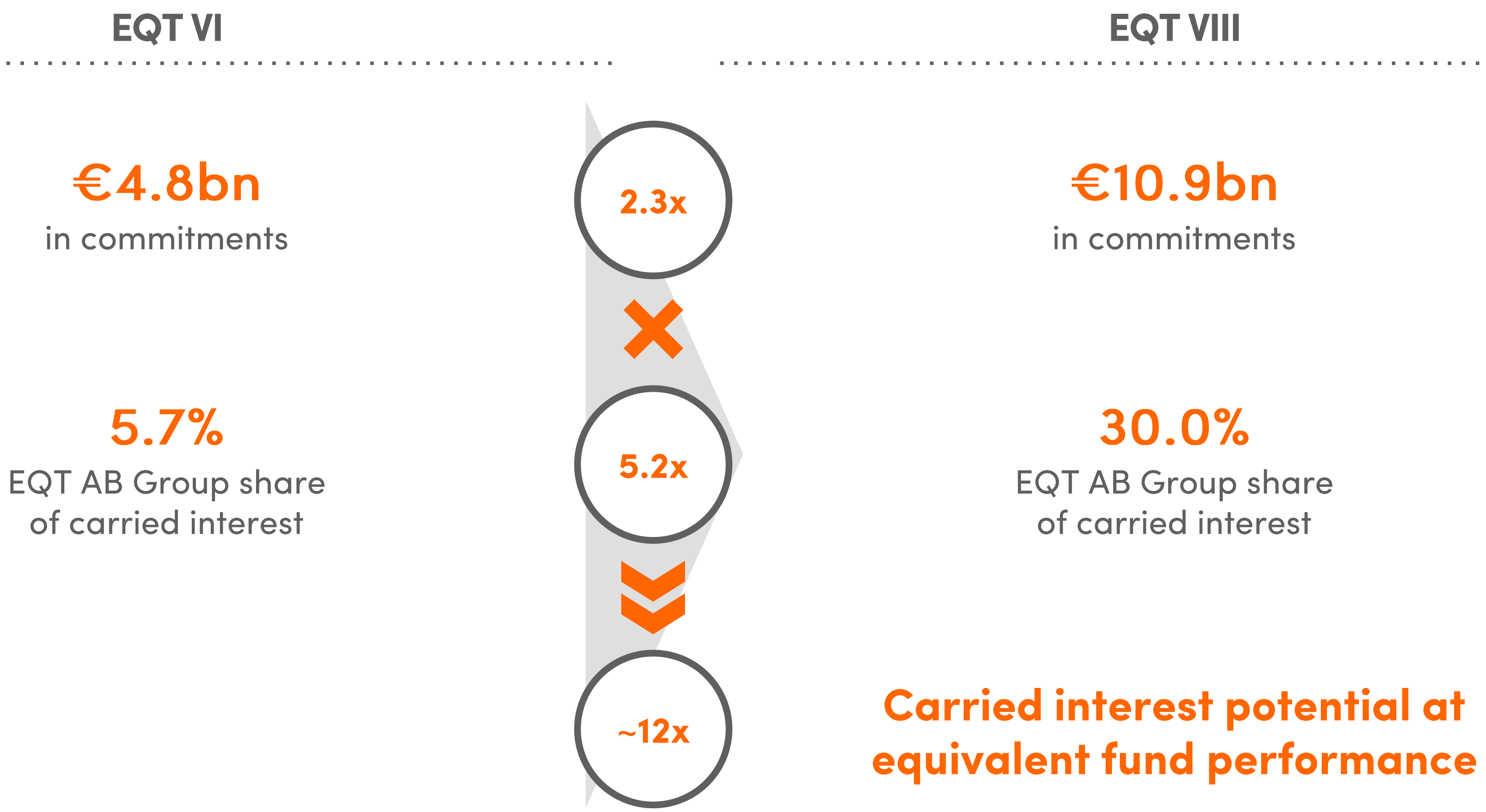
Deployment in key funds

- EQT VIII** 70-75% invested since May 2018
- Infra IV** 70-75% invested since November 2018

Key successor fund increases



Difference in carried interest potential





What's expected to happen to EQT in a severe downturn?

Fundraisings

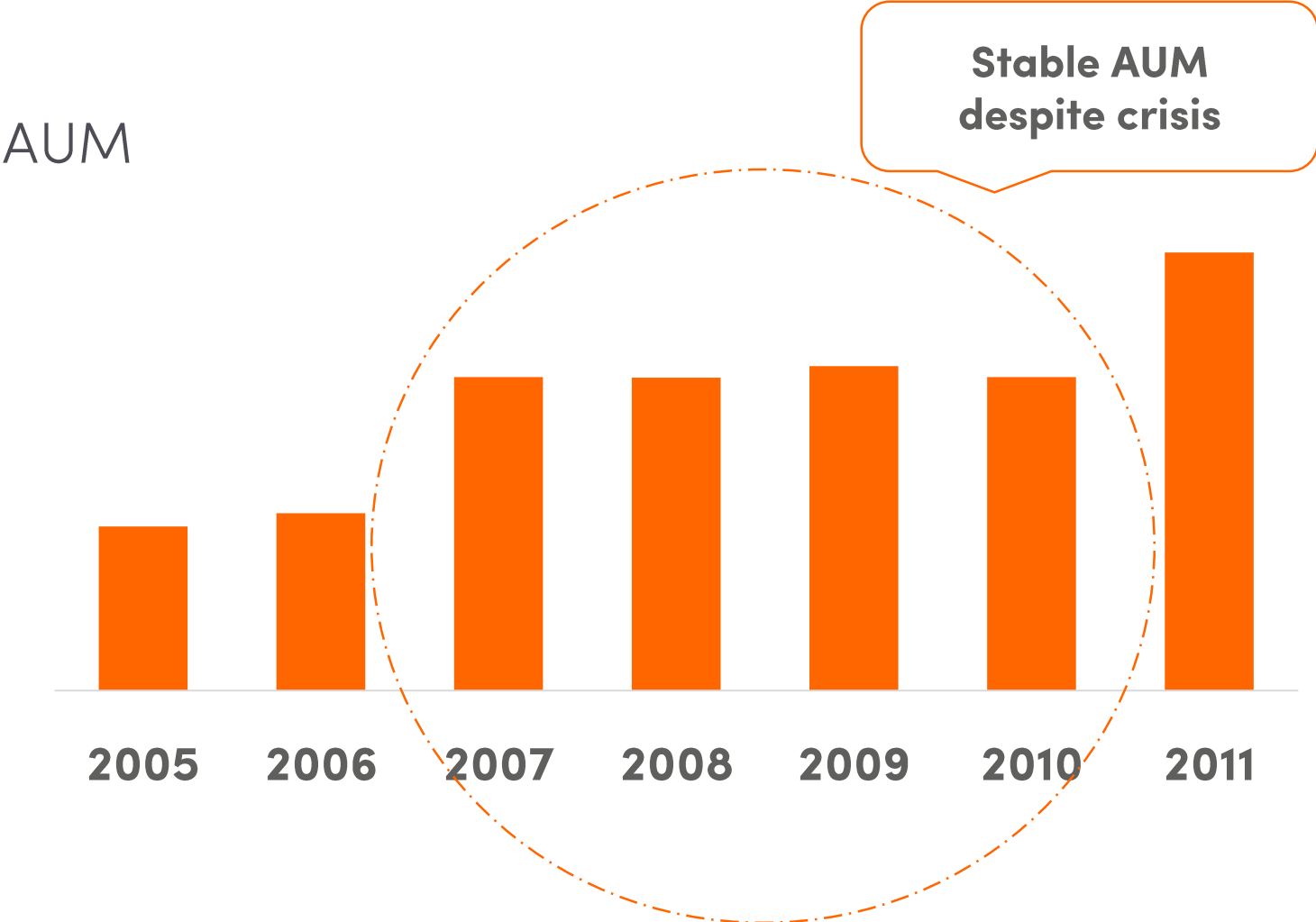
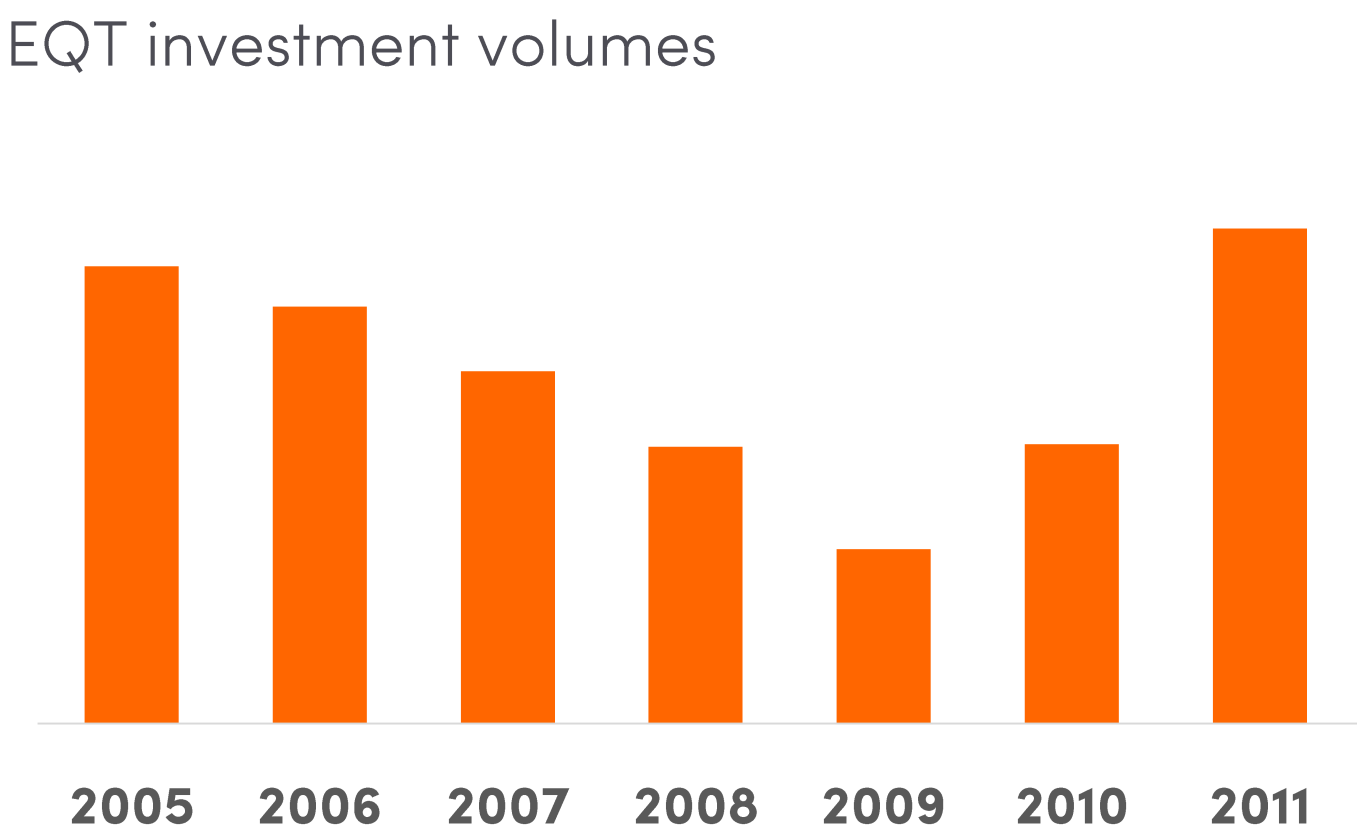
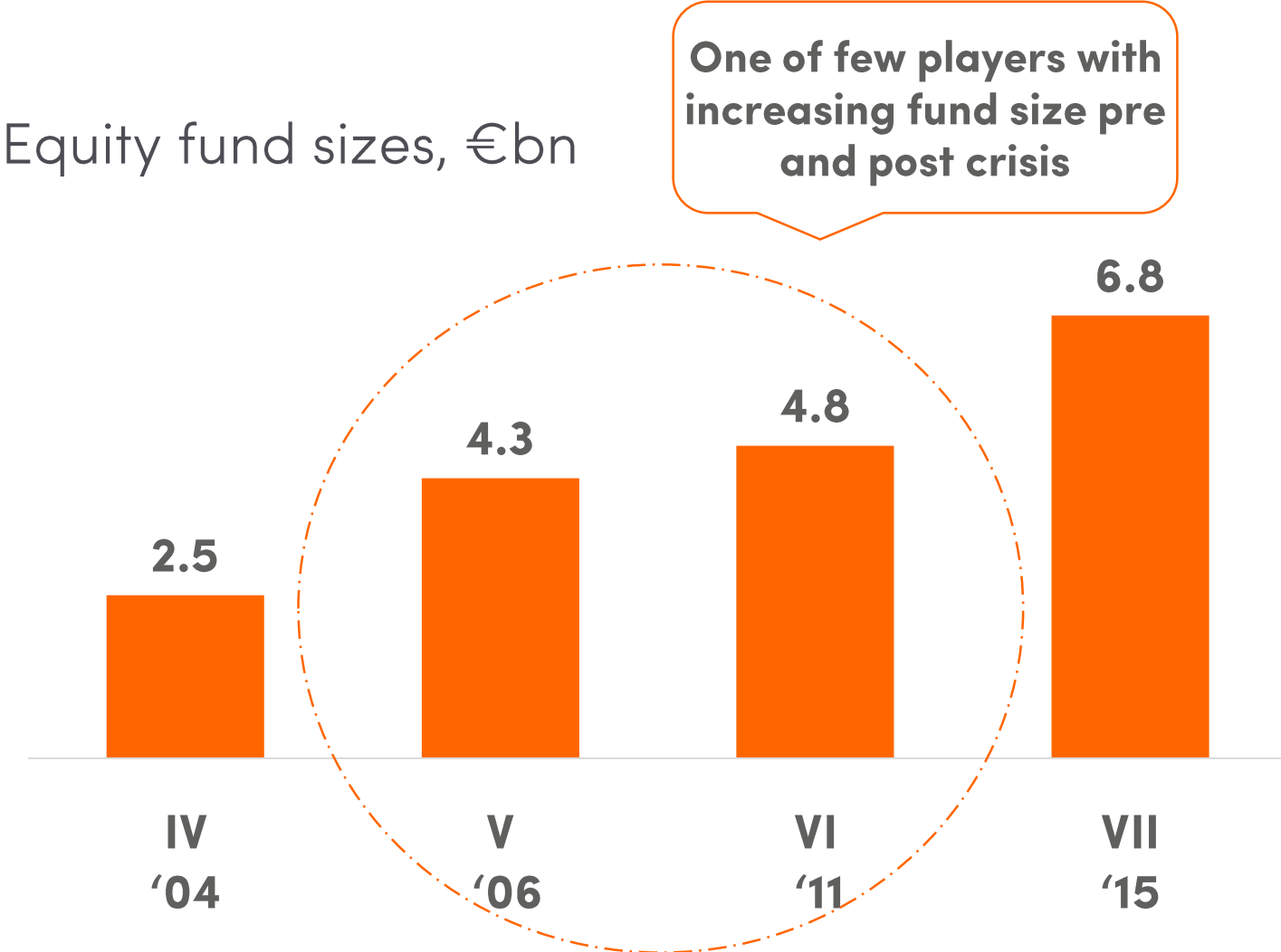
- Denominator effect
- Extended/postponed fundraising timelines

Fund impact

- Decreased M&A volumes
- Extended holding periods
- Equity injections in struggling companies

Financial model

- No impact on management fees
- Lower growth in new commitments
- Carried interest lower and/or postponed



Thank you