Year-End Report 2020

Tuesday, 26th January 2021

Welcome

Olof Svensson

Head of Shareholder Relations, EQT AB

Agenda

Good morning and welcome to EQT's 2020 Year-End Announcement. We have lots of exciting news to share with you all today.

You will all have seen the announcement this morning that EQT is joining forces with Exeter. We will spend about half an hour covering the highlights from 2020. We will then turn focus to Exeter for another 30 minutes before we open up for Q&A.

As a reminder, in order to ask questions during Q&A, you need to be dialled in to the conference line.

And with that, I'll hand over to Christian to start off the presentation. So please turn to the next slide. And over to you, Christian.

Business Performance Overview

Christian Sinding

CEO and Managing Partner, EQT AB

Delivering on our strategy in a year of uncertainty

Thank you, Olof. And good morning, everyone. 2020 was quite a year. We all know it was a year of challenges and, for many, a year of hardship. But looking back, it was also a year of opportunities and solutions. And at EQT, we proved the strength of our thematic investment approach as the portfolio performed well despite the pandemic.

We also developed the firm strategically and ended the year in quite a unique position. EQT is now fully focussed on active ownership strategies – strategies where we can future-proof companies and make a positive impact.

Next slide, please.

2020 at a glance

Looking forward, with Exeter, we've taken a big leap in our ambitions in real estate as well as our plan to grow EQT's presence in North America. Exeter is a highly strategic transaction for EQT and we'll talk a lot more about that in today's presentation but now, starting with EQT.

So in terms of fundraising, we closed EQT Real Estate II at its hard cap and we activated EQT IX and EQT Infrastructure V, in line with our plans. Investment activity picked up materially in the second half of 2020, coupled with a few exits. And heading into 2021, we have a strong pipeline of exits lined up – of course, assuming that the markets remain healthy.

In 2020, in line with our purpose, we also developed ways to drive sustainability in the portfolio companies. We launched ESG-linked bridge facilities, which linked funding costs to factors such as Board diversity and renewable energy transition. We also made our first grants and investments in EQT Foundation, which we're very pleased about.

Overall, the progress we've made in 2020 has resulted in some quite strong numbers, as you've seen. Our end of period AUM grew by 46%, our revenues by 33%, paced by EQT IX and carry, and we're approaching our long-term 55% to 65% EBITDA margin target. Of course, a lot more about this in Kim's section.

Next slide, please.

A global ecosystem of active ownership strategies

Private capital

Throughout 2020, we made significant progress in developing EQT's ecosystem of what we call active ownership strategies. We divested credit – a strategy where we had more limited ability to future-proof companies and make a positive impact, a more passive strategy. And we announced EQT Growth which fits perfectly between Ventures and Private Equity.

And with that, EQT is one of the only private markets firms in the world, which can actually support companies from start-up stage all the way to, yeah, mature leading businesses. And we find that to be quite unique and very value-adding.

Ventures continues to perform strongly with a top decile returns. And EQT Public Value also had a strong year with 45% returns and the business line is developing well. Separately, we've established clear mandates to finance investments in new strategies using the EQT balance sheet. And as announced yesterday, EQT Growth made its first investment in Wolt, a leading food delivery company, which has actually been backed by EQT Ventures since 2016 and is a very exciting business.

The team also spent the year evaluating and preparing for new investment strategies, including what we're going to do in Asia Pacific and for potential long-hold funds. And we're going to talk a lot more about that, but that's going to be a little bit later this year.

We, of course, also look for potential M&A opportunities across our growth areas and Exeter turned out to be the perfect match. With Exeter, and after having divested credit, we're firmly established with EQT being a global leader in active ownership strategies. And those are strategies where we can really impact the investments to drive long-term returns.

Next slide, please.

Fundraising cycles for key funds

Private Equity and Infrastructure funds

So investment activity picked up materially in the second half, as you saw. EQT IX is now 30% to 35% invested, based on the target fund size, and EQT Infrastructure V is 20% to 25% invested.

So what does this mean for the outlook for EQT's next round of flagship funds? A question we get quite often. Well, activity can be pretty lumpy, as we saw in 2020. Out of the €13 billion we invested in 2020, 85%, was announced in second half. So what we typically say is that good companies are for sale in good markets.

Investment pipeline

Looking back, it is true that recent fund cycles have been on the shorter end on the faster end. But if you look, actually, since our inception in the key funds, Equity and Infra, the average period of investment is actually around three years and this is quite consistent.

However, remember that during the financial crisis, it took five years. And after that, the fund sizes didn't grow particularly much. So this is, you know, when markets are good and we're performing well, we're on a three-year kind of cycle, which we are now.

Portfolio construct

Of course, we also need to manage portfolio construction, which means deployment pace, going forward, may not be at the same level as in H2, where a lot of positive things came together.

So, many also asked the question whether EQT will be – will continue to be able to deliver strong and consistent returns. And we've gotten that question, of course, since our inception and we try to keep our feet planted firmly on the ground.

Competition is tough. We see plenty of capital looking to invest in companies which have been resilient and growing during the pandemic – the typical EQT company – and we see high valuations, as a result.

Thus, for us, of course, the bar for new investments is quite high. And we continuously need to improve and develop, as investors and as owners. This means, you know, fine-tuning our long-term thematic focus, continuously developing the EQT playbook and really transforming the companies that we buy.

For example, we keep investing in digitalisation and driving sustainability as two very important levers to future-proof companies and create lasting value for the businesses. Furthermore, we're rolling out Mother Brain, EQT's proprietary AI platform, to be used across all investment teams and coming from the Ventures team. And this will also help us to find another edge, whether it's in sourcing or decision-making, over time.

Market conditions

And on the investment side, what kind of companies are we looking for? We're often looking for platforms – platforms that we can really build upon, that we can take from where they are today, invest in organic growth, invest in new product development, R&D, add-on acquisitions and really transform the company so that it becomes a much bigger, more valuable entity in the future.

It's not the old-fashioned private equity where you bought a company and relied on a strong management team. We are very active owners. And therefore, we raised our focus, of course, on building the absolutely strongest possible management teams and boards in our companies.

Successor funds

Now, given the strong performance, we maintain our target return levels 2.0x to 2.5x in the key Equity funds and 1.7x to 2.2x in the Infrastructure funds.

Clearly, we constantly need to stay ahead of the curve. Competition is tough, but with our pure focus on active ownership strategies, I'm actually quite confident that we will continue to perform.

And with that, I hand back to Olof.

Fund Valuations

Olof Svensson

Head of Shareholder Relations, EQT AB

Resilient valuations – key funds

Okay. Thank you, Christian. We will now turn to the fund valuations. The EQT funds with significant exposure to TNT, healthcare, and essential infrastructure have generally developed well over the past year. Companies benefit from resilient growth, often supported by stable customers and recurring earnings. All funds remain on plan except Infra III, which continues to develop above plan.

EQT VIII

EQT VII has performed very well and is now valued at 2.3x gross MOIC, up from 1.8x a year ago. To give you some colour on EQT VII, about two-thirds of the companies in the funds were marked at higher valuations in 2020. Our COVID-proven companies, in particular, developed strongly. In addition, EQT VII realised certain exits during the second half of the year, including the successful IPO of Certara.

These factors all grow fund performance. And in fact, we expect further value creation in the fund, EQT VII. Kim, he will come back and comment on what this actually means for carry and what we booked this year and in the last year and what it means for – implications for this year.

EQT IX

It's also worth noting that EQT IX is already valued at 1.2x gross MOIC. However, keep in mind that the fund is only about one-third invested and the valuation may come down as we add new investments, marked at 1.0x at entry. It's early days and we consider the fund to be on plan.

Other key funds

More broadly speaking, we continue to have a handful of companies across our key funds, which have been structurally impacted by COVID. In line with what we stated and expected in our Q3 update, we did not make any material equity injections in the second half of the year and we still don't envisage any material equity injections at this point in time.

Despite the broad recovery in H2, we remain vigilant. The investment teams maintain liquidity and covenant dashboards. They run downside scenarios to be ready, should we see another downturn, be it related to the pandemic or other factors.

Next slide, please. Thank you.

Investment activity picked up in H2 2020

As Christian mentioned, investment activity picked up materially towards the end of the year. In fact, 85% of our investments in 2020 were executed in the second half. Almost 80% of the investments last year were in healthcare and TNT.

Within our focus sectors, we continuously refined EQT's investment approach and thematic mindset, as Christian was talking about. We have, for example, enhanced our focus on certain segments within healthcare and well-being technology acceleration and digitalisation, climate and sustainability, and social infrastructure.

Exit activity was subdued, down 50% from 2019. And again, more or less, all of the exit activity took place in the second half of the year.

We are preparing for and we're well underway with a number of significant exits currently. However, should market conditions deteriorate, we will retain companies for longer, always focussed on meeting our gross MOIC targets through the fund life cycles.

And with that, I'll hand over to Kim and ask for the next slide, please.

Financial Results

Kim Henriksson

CFO, EQT AB

AUM reflects closed out commitments in EQT IX and Infra V

Thank you, Olof. And good morning, everyone. Let's start by having a look at the development in assets under management.

AUM, based on year-end figures, increased by 46% in 2020 and mainly driven by the fundraising of the flagship funds, EQT IX and Infra V, both of which were activated in the second half of the year. Both fundraisings are developing well in line with plan. And as of year-end, EQT IX had raised €14.6 billion – so, just below its target size and it's hard cap of €15 billion. And Infra V had raised €7.6 billion, compared to a target size of €12.5 billion and a hard cap of €15 billion.

As a reminder, commitments which are closed out in 2021 will pay management fees from the time the fund was first activated and the catch-up fees will then be booked in 2021.

Worth highlighting are also the so-called step-downs that we experience when a successor fund starts charging management fees in an existing investment strategy. So this is a step-down in the AUM base, but not in the management fee level. The activation, last year, of EQT IX and Infra V hence led to step-downs of about €7 billion combined and you can then find more information about this also in our Appendix.

Fee levels in the most recent funds in Private Equity and Infra, they remain materially in line with the previous generations, as we've said before. And our total blended fee margin, it remains around 1.4%, also including our latest funds.

Next slide, please.

AUM drives our contractually recurring management fees, first recognition of carried interest from EQT VII in 2020

Adjusted total revenue

Management fees increased by 13% in 2020. The full impact of the new funds was not reflected in 2020, but will be seen in 2021.

Carried interest and investment income increased to €153 million in 2020, constituting now approximately 15% of our revenues in the year. And carry was primarily driven by EQT VII, following strong value creation, as mentioned by Olof here, and some realisations during the second half of the year. In total, our revenues grew by 34%.

Adjusted EBITDA

And let's revert to operating expenses, we're in short. But as you can see here, operating leverage led to an EBITDA margin of 51%, compared to 46% in 2019.

Dividends

In line with our dividend policy, we have an increased dividend proposal from the Board of 240 kroners per share, compared to 220 in 2019.

Cash position

Just quickly commenting on our balance sheet, also that our cash position has remained solid. We have €878 million, as of year-end, in cash on the balance sheet. And in addition, as you may have seen before Christmas there, we have put in place a €1 billion revolving credit facility.

Next slide, please.

We look at carried interest with a long-term perspective

First carried interest recognition

Given the increase in carried interest in 2020, we wanted to focus on the carry for a minute and take you back to what we said in the IPO. So we look at carry on a long-term basis over the lifetime of the funds and the magnitude of the carry depends on how we deliver on our promise to our investors of strong relative returns.

So if we deliver on our long-term gross MOIC targets, it will lead to a share of profits to EQT that, over time, is expected to comprise 25% to 30% of revenues, considering that we also raise new, usually larger funds in the meantime.

Revenue streams to EQT AB Group

The increase in carry over time is driven by a combination of both larger fund sizes and increased entitlement to EQT. And I repeat that whilst we are very confident in our ability to generate carry in the long run, any shorter perspective will be more lumpy and we simply can't tell with good precision what the exact recognition will be in a given period.

Long-term carry driver

And EQT VII is now an example of a fund that has shown very strong development in the last six months, with value creation across a number of assets, as mentioned, and a couple of successful exits as well. The long-term performance of the fund also looks very strong, but we would only change our guidance to above plan if the expected gross MOIC was persistently and materially above the 2.5x threshold we have.

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Operating expenses reflecting long-term growth plans

FTE

So our dedicated employees, they continue to be our main assets and we continue to recruit in 2020, although at a slower pace. So recruitments during the year include the build-up of a team for the EQT Growth strategy and expanding the Infrastructure team ahead of the increased investment capacity with Infra V.

While the FTE count was almost flat in Q4, recruitments were being made and as a – and a meaningful number of new colleagues are expected to start in Q1 2021. So now, essentially.

When we think about 2021, from a cost perspective, we continue to expect an increase in the number of employees. In addition to the historically approximately 100% net addition we've had, we expect to see a catch-up effect from the hiring ports – posts we had in parts of 2020.

And what areas are we investing in? We're investing in the launch of new strategies and geographies. We are investing in our global fundraising capabilities. And we are investing in the digitalisation and scaling of the platform, just as example.

As mentioned in some previous discussions, the US and APAC are also, in relative terms, more expensive regions so, over time, impacting the average cost per employee.

We're happy to take questions on our results a bit later, but now we'll focus on Exeter. So I'm handing back to Christian.

Next slide, please.

Exeter Property Group Acquisition: Overview

Christian Sinding

CEO and Managing Partner, EQT AB

Combination with a top-performing thematic real estate manager to create a global champion within value-add real estate

Thanks, Kim. So Exeter is – what can I say? A hidden gem, a rare combination of a genuine market leader, a highly thematic investor with an exceptional performance track record and an aligned investment approach, including the local-with-locals mindset that we also have at EQT. And also, similarly to us, they really transform the investments that they make.

So we think we've found a perfect match here, which is actually, in fact, also similar, in terms of growth and financial profile and underlying culture. So it's really a perfect match.

Next slide, please.

Exeter strengthens EQT's position as a global leader in active ownership strategies

As mentioned, initially, EQT is now solely focussed on active ownership strategies and Exeter, of course, is another step in executing on this strategy. So if you add up EQT and Exeter's AUM as of year-end, we actually now have €61 billion solely focussed on active ownership strategies, meaning that we're actually one of the larger players in the world in those strategies and we continue to grow. These strategies are all in line with EQT focus – EQT's focus on future-proofing companies and making a positive impact.

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Growing real estate – a strategic priority for EQT

Sustained strong market growth, structural drivers

So real estate is a market we see is quite attractive. The growth has been strong and we expect that to continue, as a result of powerful structural drivers. Investors have been increasing allocations to real estate consistently and remain below target levels. The lower-for-longer interest rates have become zero indefinitely and there is a real demand for yield, which real estate provides.

Why M&A in real estate?

And given our size, M&A, we thought, was the most logical option for us in real estate. An Exeter, like I said, is that rare opportunity to bring in a top-performing firm, a top-performing team that's truly focussed on thematic and value-added investment, and very much aligned with EQT.

We also strengthen EQT and I'm very happy to say that Ward will be joining our Executive Committee, as part of this investment deal.

Next slide, please.

Growing in North America – continuing EQT's global growth path

Together with Exeter, we accelerate our strategy. Not only does it – do we move into real estate in a big way, but it also gives us a leading position in North America, a market which is mature and thus tough to build a platform upon organically but, as a market, where there are very strong long-term returns and lots of investment opportunities.

This transaction adds to our existing strength in Infrastructure and our expanding Private Equity and Venture Capital presence in North America. So Exeter brings not only investment team presence, but also adds some very attractive North American clients to our platform, which we'll talk more about later. And the deal also diversifies our business further by FTE, capital raised and AUM.

And with that, over to Caspar.

Reasons for Exeter Property Group Acquisition

Caspar Callerström

Deputy CEO and COO, EQT AB

Exeter: A top-performing thematic real estate investor

Thanks, Chris. Next slide, please.

So Exeter is one of the leading and top-performing thematic real estate investors focussed on value-add. Exeter's AUM today is about $10 billion and is growing rapidly with several ongoing fundraisers which will meaningfully increase that number in the near future. The majority of this AUM is in the highly attractive Logistics and Industrial space, where Exeter is a market leader. This together with a – growing strategies in Office & Multifamily and a strong presence across both North America and Europe.

Together with Exeter's performance track record, which is arguably one of the best and most consistent in the whole industry of theirs, where their flagship funds have been consistent –

consistently top 5% and the track record of other strategies are also very strong. This has been achieved through a best-in-class, vertically integrated model that approaches value creation across investment, development, leasing and property management.

Exeter has approximately $80 million in EBITDA in 2020, but with a higher expected run rate at completion during Q2 this year.

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Why are we joining forces with Exeter?

Logistics/Industrial benefitting from clear, thematic trends

So Exeter core strength in Logistics and Industrial is benefitting from multiple, clear structural growth trends as ecommerce penetration grows globally, as supply chains reorient. This is also being accelerated by COVID-19. This aligns perfectly with the – with EQT's thematic approach to investing across the EQT platform.

Exeter is a star in the Logistics/Industrial space

Exeter is a clear leader in this space, both in terms of scale and also performance, and we see significant opportunity to further grow the platform.

Significant growth opportunities ahead

The flagship strategy, we continue to scale attractively. And there is an opportunity to grow in every part of the world, including APAC. And we see big opportunities in attractive adjacencies such as Life Sciences, Suburban Office and Residential, where we have the similar strong thematic growth drivers.

Next slide, please.

Key success factors for Exeter

Value-add focussed business model

Exeter's approach to investing is very closely aligned to our own, with value creation-driven model and the local-with-locals approach. Exeter value creation model is across the real estate transaction lifecycle.

So a differentiated local deal sourcing, a focus on improving properties physically and through relationships with more than 1,200 tenants, including many of the global leaders such as Amazon, DHL and Procter and Gamble, and through exit, where Exeter packages assets into attractive large portfolios to realise pricing premium. Not – quite similar, actually, to a normal buy-and-build strategy within the PE world.

Local-with-locals approach

Local-with-locals is also a key focus, with Exeter operating small teams across local offices to deliver local market knowledge – a critical success factor in delivering returns.

Global scale

And Exeter's global scale also gives that competitive advantage when negotiating with the biggest tenants in this space like Amazon.

Next slide, please.

Exeter: Business overview

Value-add funds

Exeter's offerings serve institutional investor demand across the spectrum of risk return goals, geography and property sector, with separate vehicles for each region and each risk reward profile. Exeter's core strength in North America value-add, with a growing and highly complementary presence in Europe focussed on Logistics and Industrials.

Core funds and managed accounts

Exeter also operates in a number of smaller core funds and managed accounts. These are core-site permanent capital, albeit with LP termination rights, where assets from prior funds generations are transferred into new vehicles and held for longer periods. These managed accounts vehicles have similar overall economics to the core funds.

Carried interest recognition

Exeter also recognises carried interest on its fund after four to five years, with value-add funds earning the highest carry interest. And as previously mentioned, Exeter also has a number of ongoing fundraises, with approximately $5 billion of AUM expected to be added in 2021 and $2 billion to $3 billion currently in fundraising.

Next slide, please.

Exeter: Track record proven through successful fund growth over vintages

Top-performing with 5% returns for most of the value-add funds

Like EQT, Exeter has an exceptional track record of scaling strategies, delivering a 53% average increase in flagship fund raises and a record of more than tripling fund sizes in the European Industrial value-add strategy.

This has resulted from the group's exceptionally strong and consistent track record across its strategies. Per Prequin, Exeter is the most consistent real estate investor globally, in terms of returns.

Next slide, please.

Exeter: Complementary client relationships with institutional investors

Key benefits

Exeter's highly attractive client base is also a key aspect of the strategic rationale for this for EQT, with long-term support from many leading blue chip clients globally.

As you would expect, the weight of Exeter's client relationships today is in the US, but also bring some of the very attractive relationships in Europe and APAC. Importantly, there is relatively little overlap between Exeter and EQT, in terms of clients.

We also expect significant synergies from being able to offer Exeter's leading products to EQT investors via our leading capital-raising platform.

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EQT Exeter will be a part of Real Assets

Organisationally, Real Estate will remain part of the Real Assets franchise. We will now have two scales in leading franchises in both Infrastructure and Real Estate.

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EQT Exeter established as a joint real estate brand

Ensuring ability to scale efficiently on a global basis while retaining key success factors

Recognising the strength of the Exeter brand, we will jointly build – brand our real estate platform as EQT Exeter. The combined platform will be led by Walt Fitzgerald and I'm delighted to welcome such a great leader and investor to the EQT family.

Critically, there will be no change in the leadership and key Investment personnel, business model and culture that have made Exeter so successful. On culture, Exeter is highly aligned with our own culture as a performance-driven organisation and this was a big factor for us in deciding to combine with Exeter.

We have a well-developed plan for integration which will be focussed on ensuring no disruption to the core operations and we – will give the real estate platform the ability to scale efficiently and effectively globally.

Next slide, please.

Key strategic levers for EQT Exeter, going forward

US & EU Logistics/Industrial

EQT Exeter will have multiple drivers of AUM growth, going forward. We see significant scope for continued scaling of core Logistics and Industrial strategy supported by further build-out of local teams across the US and Europe.

US Life Science/Office & Multifamily; EU strategies outside of Logistics/Industrial

Exeter emerging strategies in US Life Science and Office value and EQT Real Estate platform in Europe will continue to execute on its unchanged strategy, now as a part of the significantly strengthened global platform.

Asia-Pacific Logistics/Industrial

We see a significant opportunity to build a pan-Asia Pacific platform in the Logistics and Industrials as well, replicating the existing Exeter setup and leveraging Exeter's track record as arguably the most successful investor in this space.

Over to Kim for a summary of the transaction terms.

Exeter Property Group Acquisition: Key Transaction Terms

Kim Henriksson

CFO, EQT AB

Summary of transaction terms

Thank you, Caspar. In summary, the transaction terms are as follows.

Key terms

We are acquiring 100% of the management company, 25% of the carried interest in certain of the existing funds, and then 35% of carry in all future funds, ensuring that we have the same carried interest model that – as we have in EQT current model.

Total consideration is 1.87 – $1,870 billion, which is expected to be equivalent to a mid-teens run rate EBITDA multiple at completion, i.e., once the near-term fundraises are completed that were mentioned.

Exeter management shareholders own approximately 60%

Ward and other – and the other management shareholders, they will receive 65% of their proceeds in shares and will enter into lockups similar to the existing EQT partners, so ensuring that there's a strong alignment of interest and the buy-in to the EQT platform.

TA Associates own approximately 40%

TA Associates, they currently own 40% of Exeter and they will receive 25% of their proceeds in shares. They are not subject to any lockup clauses. The terms does lead to a cash consideration in the region of $1 billion and approximately €33 million new EQT AB shares being issued.

Timeline

We expect that the transaction will complete at the beginning of Q2 – so, once the customary regulatory clearances have been received.

Next slide, please.

Exeter: Compelling financial profile

Growing AUM and strong revenue growth with high profitability

Exeter has a very strong record of growing both assets under management, revenues and profitability, all of which have been growing at a CAGR of approximately 25% in the last three years. We expect this strong growth to continue in 2021. We expect AUM to grow with a growth rate exceeding the growth in 2019 to 2020. So, as Caspar mentioned, in the region of $5 billion.

Exeter operates a vertically integrated model, which means that they also earn fees from other real estate-related services such as property management fees, leasing and construction, as you can see here.

Fundamentally, these fees are predictable. They're derived from the commitments, the AUM and the properties under management. So we do think about them in a similar way to management fees, in terms of their characteristics, and we will also report them as such – as management fees. The blended fee margins, including these real estate services, are not materially different from the EQT Group today.

Do note that the financials on this page do not include carried interest as the carry entitlements for EQT, they're going to be more recent funds yet to generate carry.

Expected to be immediately accretive to EQT earnings

We expect the transaction to be immediately accretive to EQT's earnings per share. And like Caspar already mentioned, following closing, EQT Exeter will then form part of our segment, Real Assets. And at this point, we do not plan to do any changes to our segment reporting.

Next slide, please.

EQT targets remain unchanged

In addition to the strategic and cultural fit, which has been mentioned, the acquisition of Exeter is entirely consistent also with our Group financial targets.

Growth to exceed

We expect Exeter's revenue growth to exceed the long-term growth rate of private markets, just as we expect EQT's to do.

Profitability and dividend policy unchanged

Exeter's margin of 60% in 2020 is in line with our Group target of 55% to 65%. And there will be no change to our dividend policy as a consequence of the transaction.

With that, I'll hand over to Chris for some concluding remarks and before we open up for Q&A.

Chris, please.

Conclusion: Synergistic combination to create a global champion within value-add real estate

Christian Sinding

CEO and Managing Partner, EQT AB

Why EQT and Exeter fit so well together

Thanks, Kim and Caspar. So Exeter, it's a great business with a great culture that really matches EQT very well and I'm sure our excitement for this combination has come across throughout this presentation.

Grow real estate

Exeter meaningfully accelerates our strategy in real estate and creates a global leader with EQT and Exeter together in active ownership strategies.

Adds complementary client relationships

The client relationships that Exeter brings are highly complementary and strengthen our presence in the US, which is a Group strategic goal.

Highly synergistic

This is a highly synergistic transaction, with Exeter benefitting from our client relationships, our digital and sustainability focus, and our strong combined real estate flat platform with essentially no overlap.

High degree of cultural alignment and compelling financial benefits

EQT is culturally – Exeter, sorry, is culturally aligned with EQT and will have significant skin in the game, which, of course, is one of our key M&A criteria as outlined at our IPO.

Ward and his team are fantastic. They have a great culture and we really, now together, have an opportunity to create the global leader in value-added real estate investing.

A global leader in active ownership strategies

So to conclude, EQT is now fully focussed on active ownership strategies, where we already now are a global leader, together with Exeter. We remain razor-focussed on delivering strong returns in a responsible manner. And that will allow us to continue to grow to future-proof companies and make a positive impact.

With that, I thank you for listening and we open up for Q&A.

Q&A

Operator: Thank you. If you wish to ask a question, please dial 01 on your telephone keypads now to enter the queue. Once your name is announced, you can ask your question. If you find it's answered before it's your turn to speak, you can dial 02 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 time delay between the audio and the broadcast.

Our first question comes from the line of Arnaud Giblat from Exane BNP Paribas. Please go ahead.

Arnaud Giblat (Exane BNP Paribas): Yeah, good morning. Thanks. Three questions, please.

Firstly, could you talk a bit more about Exeter and the opportunity to scale up the funds in the long term? I'm just wondering what – it appears you're specialise in Industrial and Logistics, so what sort of funds – fund size that they run over the long term? And a follow-up on Exeter. You mentioned €5 billion-plus AUM in a year. Is that in 2021? Is that on a gross or net basis?

My second question is on investment opportunities for the Private Equity and Infrastructure portfolios. Q4 clearly was very, very strong. How would you characterise Q4? Was it a case of catch-up, where you had identified a bunch of companies throughout the year and the markets opened up and all of a sudden, you had a – an accelerated investment opportunity? Or is it just more a fact of the market – more opportunities coming up and you investing? I mean, what I'm trying to get to is, if the markets remain buoyant with a lot of activity, could you sustain a high level of investments in the near future? Do you have the investment capacity to do so?

And finally, on your carried interest for 2020. Clearly, it was a strong beat. I'm wondering clearly that comes from EQT VII. I noticed that that fund, in particular, had a strong level of uplift in MOIC. Could you talk about those mark-ups? Is it – are you exiting portfolio companies well ahead of their holding value? Is that the big source of mark-ups in EQT VII? Thank you.

Christian Sinding: Arnaud, that was a number of questions together. I think –

Caspar Callerström: Yeah.

Christian Sinding: I think we will share them across. If you look at them – if I start, if you look at the long-term potential for Exeter, we believe it's similar to EQT's long-term potential for growth. You know, we have a number of different investment areas they're investing in –

across Industrials, you know, Residential, etc., Logistics – and actually bringing that further in North America, really penetrating Europe and, of course, Asia Pacific being almost a clean slate. And lots of growth opportunities for Exeter, very similar to EQT, I would say.

So we're not – you know, we're not planning to change any of our long-term goals, as Kim mentioned. And we're quite confident that that there is, you know, long-term growth potential for Exeter together with EQT.

Now, when it comes to – and I'll give it over to Kim in a minute and he can add and then Caspar can add as well. When it comes to investment opportunities, going forward, across, you know, Private Capital and Infrastructure, I would take a step back and say – and just think a little about EQT's model.

You know, we're local-with-locals in every single country we're investing in, same as Exeter. And with that local-with-locals approach together with our thematic approach, we have, you know, two ways that we're looking for investments. One is the local teams; the other is all the sector teams and thematic teams. And that means that we actually continuously have quite strong deal flow and that means that, you know, it's pretty rare that we don't have quite a long pipeline of deals.

In every single country and every single sector we're working in, we actually have a very, very long list of companies that we want to own and we try to prepare for whenever they come – become available or we can make them become available. Right now, the pipeline is pretty strong and markets are good and that means deals can still happen. But of course, it is a – still a time where we're in a pandemic or most of us are in various forms of lockdowns. So we don't know exactly how that's going to impact the market over the coming months.

And when it comes to exits, we have a – you know, a pretty strong pipeline of exits. I think we mentioned that before. And for whoever is typing, if you couldn't, that would be great. Thank you very much.

The exits are across a number of different funds. Some of them in EQT VII. And as Kim and Olof mentioned, EQT VII is performing quite strongly and we expect it, you know, to continue to create more value with that fund.

I think I'll leave it there and give the word to Kim to follow up on some of the financial comments, and then round off with Caspar.

Kim Henriksson: Thanks. I'll – the – you asked about the increase in AUM at Exeter to €5 billion. Just to start with, it's a round number. It's not an exact science. We – Exeter has been very successful in taking this – their real – value-add real estate funds and then moving this into a sort of more permanent vehicle. So the gross net question becomes less of a topic there, but it's essentially like that.

And you also had a question about EQT VII and carry. And as Olof mentioned here, about two-thirds of the companies or more have been positively – or the value has developed positively during 2020. So it is not the question only of one or two exits, it is a much broader kind of trend or thesis in any EQT VII. We have said that the fund is trading very strongly or – and doing very well, but that we would only change our gross MOIC target if it's both materially and persistently above 2.5x. So hope that answers a little bit of your question.

Caspar Callerström: And in terms of sort of the potential fund sizes, I would – it's a difficult question to answer. But I would put it like this. I think Exeter's model is quite unique and I don't think there is actually anything like that, really, in the market.

So if you look at their latest industrial value-add fund in the US, I think the number of underlying assets in that fund is 140 or something like that – 140 and 145. So it's a very granular model. It's not the model, if you compare to PE, where you buy maybe 14-15 assets. So – and which means that this market is a very deep market, but you have to have a lot of local execution.

So I think, you know, they have really – truly have a unique model which you can't really compare to anyone else, but I think they very, very much create their deep flow, as opposed to sort of waiting for assets to be sold. So, you know, without sounding too bullish, I think it's really up to us and the Exeter team, you know, how we will continue to grow and develop this. And there are no other boundaries than ourselves, in terms of getting the fund sizes right.

Arnaud Giblat: Thank you.

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

Bruce Hamilton (Morgan Stanley): Morning, guys. Thanks for taking my questions. I guess just two or three for me.

In terms of the cross-sell opportunity with Exeter – I mean, you mentioned that there's not a lot of overlap in clients – can you help us think about that a little bit more? And maybe also a update on, you know, what the past trend has been, in terms of existing clients, you know, returning to funds and therefore, you know – because, I guess, you've probably still got quite a lot of expansion potential there.

Secondly, on the Growth capital fund, you made your first investment. What – how should we think about the timeframe for raising third-party funds or having a first close? Should we expect that that would be this year or would it fall into next year? Those – I'll probably start with those two, please.

Christian Sinding: Very good, thanks. Caspar, do you want to take the first one, with regards to the LPs?

Caspar Callerström: Yeah, sure. I think – I mean, the cross-sell is you can say two ways, right? First of all, Exeter is bringing, you know, about 60 new relations to the EQT platform. So those are blue chip investors, mainly US, that we are – that are not clients of EQT from the start and where we hope to be able to build from that relationship for the future in obviously selling more EQT funds to them. And then, on the opposite side, we have some 500 or 450 clients of EQT that are not Exeter clients that we expect to – you know, at least some of them to convert into Exeter clients as we move along.

And I think, you know, to have a – we're – I think Christian mentioned, we're actually one of the few now that has, you know – we're very active in all the active investing funds. And so, I think we have a very full product offering and quite uniquely so in the active funds industry. So, you know, we hope and expect to be able to cross-sell all our products in that platform.

Christian Sinding: And the 60 of the 90 clients that Exeter has are not clients yet of EQT. So there is cross-sell from that. And, of course, we have around 500 clients that Exeter doesn't have. So there's potential both ways.

If you think about Growth, you know, we are – we have made our first investment. We have a very active Investment Committee on new deals and we're preparing for fundraising. And, you know, we will report on that in, yeah, a little bit later this year, but all preparations are well on track.

And when it comes to, you know, how we're thinking about it, we will be rounding off the mid-market Europe Fund, which is a €1.6 billion fund, and launching Growth as – you can say as the next generation of products attacking high-growth companies that are kind of between Venture Capital and Private Equity. And we would expect that the Growth fund will be somewhat larger than the mid-market Europe fund.

Bruce Hamilton: Sorry, so that's larger than the – did you say the mid-market Europe fund is how large again? €6 billion, did you say?

Kim Henriksson: €1.6 billion.

Christian Sinding: €1.6 billion is the right amount.

Bruce Hamilton: Sorry, €1.6 billion. Yeah. Okay.

Christian Sinding: Thanks for clarifying.

Bruce Hamilton: Okay.

Christian Sinding: €1.6 billion –

Bruce Hamilton: Yeah.

Christian Sinding: – is the current mid-market Europe fund. And the Growth fund is – I wouldn't call it a replacement, but it's kind of the next generation of funds that fits then perfectly between Venture Capital and Private Equity.

Bruce Hamilton: Got it. Okay. And sorry, and you may not be able to pin it down, but would a first close in this calendar year be a possibility then or can you not –

Christian Sinding: Right.

Bruce Hamilton: – add anything further to that?

Christian Sinding: Yes, it would be.

Bruce Hamilton: Yes? Okay, perfect. And sorry, could I ask one – I had one other question on costs, actually, if I can just follow up?

Christian Sinding: Yeah.

Bruce Hamilton: I guess, you know, you've been quite clear on the – you know, there's been a bit of pause in recruitment that will pick up. If we are, say, adding, you know, 150 staff in 2021, that's about 20% increase. I mean, should we expect that, you know, that order of magnitude could be a guide for the kind of cost growth? I know there are obviously other costs. But is that – can you help us just think about the sort of 2021 costs finally? Thank you.

Christian Sinding: Kim?

Kim Henriksson: I think that order of magnitude, in terms of headcount growth, is not reasonable. Then, it will come throughout the year. So it's not all going to be sort of full cost from Day One in January, but rather, some of it will come in the first half and some of it in the second half. So you can't really do the exact math on that, but that's a good starting point for the analysis. And then, what – like we've said, about two-thirds of the costs would, in a typical year, be personnel costs. And then, you'd have other costs of another 30% to 35%.

Bruce Hamilton: Got it. Thank you.

Christian Sinding: Thanks, Bruce.

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

Ermin Keric (Carnegie Investment Bank): Thank you and good morning.

Starting perhaps on the deployment pace of EQT IX and Infra V. That's obviously been exceptional. But at the same time, we heard some peers express that they include multiple contraction on – in their base case for new investments. What's your view on that? I mean, historically, I believe, multiple expansion and strategic repositioning, I think you called, has been 25% of your real value bridge. So how do you think about that, going forward?

Christian Sinding: That's an excellent question. And we've actually been modelling multiple contraction – what do you think, Caspar? Since Day One, I would say. Yeah.

Caspar Callerström: Well, I would say at least the past five, seven years. Yeah.

Christian Sinding: Yeah. And maybe it was even in the past. But, you know, we never expect when we make the investment to – you know, to have a higher exit multiple than what we buy for. And the way that – but – you know, of course, now as multiples increase or – and have increased over time, the way we think about is not only that we have multiple contraction in the model, it's actually more thorough than that or, you know, or more, you know, deeper than that.

What we try to do is we try to find companies where we can really impact the business. So if we buy – you know, if we bought Anticimix, for example, which is the same – or a classic example that we often talk about. You know, we bought a Swedish company with a little bit of operations in Norway and Finland in 2012. And we – that's a great platform and a great industry which we can modernise and actually drive a lot of sustainability actions. And we can build on that with add-on acquisitions, with R&D, with, you know, upgrading and strengthening the Management team, etc. Now, it's actually a global business. And the price that we paid for Anticimix in 2012 is not the determining factor of the returns.

The determining factor of the returns is how good are we at developing the business. So that's where we really focus a lot of our time in the Investment Committees is figuring out, you know, is this company robust? Is it in a robust industry? What will happen over cycles? What will happen through a pandemic, as we've now all learned? And how do we add value to it in the best possible way? And flipping it around, if we could – if we see a good business that we can't add enough value to, then we're not going to go after it. Because then, we're – you know, then we're just susceptible to the market moods, which we don't like to be.

Ermin Keric: Thank you.

Christian Sinding: Yeah.

Ermin Keric: That's very clear. Then, if maybe we can move on to Exeter? A few questions.

First, when you say that it will be around mid-teens multiple upon completion, is that including or excluding carry? I didn't catch exactly what you said there on the carry when the funds were – you can see it's actually entitled to carry – when they are expected to enter carry mode.

And then also, just while we're in the US, a more like philosophical nature of question. Do you have any assessments on how the environment for running a private capital operation will change now with Democratic rule?

And lastly, were there changes to opening up for private capital in defined contribution plans? What's the potential in that for equity?

Christian Sinding: Very good. Kim, will you take the first one?

Kim Henriksson: Yeah, I'll take the first one. The politics, I'll leave for you, Chris. And now, the mid-teens multiple does not include carry. It just includes the fundraisings currently underway and the run rate fee levels expected from those.

Christian Sinding: It's excluding –

Kim Henriksson: Yeah.

Christian Sinding: – is the answer. That was unclear. When it comes –

Ermin Keric: Yes, thank you.

Christian Sinding: When it comes to US macro, it's really a more philosophical question. You know, we're coming from Europe. There is generally more regulation in Europe than in North America and in the US. And, you know, we have been – we moved onshore, already back in 2011-12, to be a part of, you know, the EU system to be regulated.

So philosophically, we're not so worried about new regulations or new tax schemes coming or whatever it might be. What we're razor focussed on is, you know, buying the right assets and really improving them. And, you know, we've never been that dependent on financial engineering. We've never been dependent on a lot of tax planning or these kinds of things. We're more fundamental investors, I guess you could say. So that's how we attack it.

The U – you know, the US is actually still – it's the – obviously, it's the biggest private capital market in the world. It's actually also very well-performing. It consistently has very high returns. I think only Scandinavia has equally high returns, actually. And therefore, it's a very attractive market to be in. So those are some of the strategic reasons we're there.

I don't know if maybe Caspar has anything to add on the regulatory side?

Caspar Callerström: No, I think – I mean, you can maybe say that – I would actually argue that we're more regulated today in Europe than PE is in the US today. So I don't foresee that being a huge impact. We're – and we're already regulated in the US today – SEC regulated.

So, I mean, it's not that it will be a huge difference for us. I think with all regulation, you know, it will, of course, impact us and others. But I think, as always, it's going to be the smaller guys that are more heavily impacted. So that's the problem with all regulation.

Christian Sinding: Yeah, thank you. And on defined contribution, yes, you know, the whole Private Wealth and Retail space is increasingly distributed and also, I mean, from a regulatory point of view, to invest in Private Capital.

Right now, it's still very much in liquid products and like, you know, REITs and publicly-traded private products – not so much direct investments in private capital firms like ourselves, in the kind of products that we have. But it's certainly coming. And we've actually hired a great guy from BlackRock named Peter Nilsson, who's going to be managing that sector and really making sure that we are attacking it in – on all fronts.

Ermin Keric: Excellent. Thank you very much. Much appreciated.

Christian Sinding: Thanks.

Operator: And the next question comes from the line of Mike Werner from UBS. Please go ahead.

Michael Werner (UBS): Thank you very much. Just a couple of questions on Exeter, if you don't mind.

I know that GT Investments is around 2% for EQT's PE and Infra fund is 35%, which comes from the Corporation. How should we think about that with Exeter? What portion are they investing into their funds?

And then, I guess, you know, you showed that historical IRR and MOIC for Exeter. Going forward and just from a high-level perspective, in terms of real estate, what – how do you think about the target MOIC for Real Estate versus Infra, which, obviously, is a bit lower than what your target MOIC is for Private Equity?

And then, finally, just looking at Slide 20 – you know, the combination of EQT and Exeter. You have about 13% to 15% revenue AUM and EBITDA of the combined entity will come from Exeter, but close to 25% of the headcount will come from Exeter. Is there any opportunity to cut headcount there, in terms of any duplication from the combination? Thank you.

Christian Sinding: Thanks for good questions. I suggest that Kim, if you answer the GP co-invest question; and Caspar, Unitech MOIC and the employee structure.

Kim Henriksson: Yeah. On the 2%, it's not a fixed number for EQT. It's a range of 1% to 3%. And then, like you said, we take the 35% of that and it is a similar 2% average for them. And we will, in the future, then take 35% of that GP commit as well. So that's the question. And then – yeah.

Caspar Callerström: Yeah. I think on –

Michael Werner: Thank you.

Caspar Callerström: – the target MOIC, if we talk about the value-add funds, we are talking about targets of 2.0x the money. That has been their target. They have consistently outperformed it, but I think that will continue to be their target. So it's similar to Infra, I would say.

And in terms of FTEs or headcount, I don't foresee there being efficiencies in headcount in Exeter. I think the combination is going to be positive synergies, but not necessarily cost synergies, in that sense. I think the number of headcount in Exeter will continue to grow as we expand that business model deeper into the existing markets, but also into newer markets.

Michael Werner: Thank you.

Caspar Callerström: I think it may be worth mentioning that the sort of – since their business model is somewhat different, I think the average cost per headcount is somewhat different in Exeter compared to AT&T.

Kim Henriksson: Yeah, significantly.

Caspar Callerström: Yeah.

Kim Henriksson: Actually, they're different because of their integrated business model where they do all the property management and leasing and all of that in-house. That means that they have a slightly different profile for the employee base.

Michael Werner: Thank you. And just as a quick follow-up. Is their fundraising done in-house or did they also rely on third-party services there? Thanks.

Caspar Callerström: No, they have an in-house department doing that. So that will, together with our – you know, over time. But they have that in-house.

Michael Werner: Thank you.

Operator: And the next question comes from the line of Magnus Andersson from ABG. Please go ahead.

Magnus Andersson (ABG Sundal Collier): Yes. Good morning. Most of our questions on Exeter has been answered. But just two – one or more technical character.

You said that you hoped the transaction will be closed by the end of Q2 2021. Does it mean that we should expect it to be consolidated in your accounts in the H1 2021 report or do you expect to do it in the second half?

And then, the second question I have just on carried interest recognition then in Exeter. I guess it will take, from what you said earlier, some three to four years before we see any contribution there? Let's start there. Thanks.

Kim Henriksson: I can take those. We said that closing is expected to take place in early Q2. So that's our current expectation. So – rather than late Q2. And we would then expect to consolidate the Exeter as immediately from closing. So say, for nine months of the year. That's our best guess right now.

What was the second –

Magnus Andersson: Okay. Thanks.

Kim Henriksson: – question?

Olof Svensson: It was the carry question. I can take that. So –

Magnus Andersson: Carry recognition.

Kim Henriksson: Yeah.

Olof Svensson: So for Exeter, as you know, the carry that we will have, it's from the funds that are actually being raised now and in future funds. So that means that you should not expect EQT to have carry from the Exeter funds for another, say, three to four years, as I think you were saying that.

Magnus Andersson: Yeah, okay. Thanks. And then, you mentioned the €5 billion-plus for 2021. And then, I think, Caspar, you mentioned, some €2 billion to €3 billion in fundraising. Was that in addition to the €5 billion or included in the €5 billion?

Caspar Callerström: No, that's included in the €5 billion. I think –

Magnus Andersson: Yeah.

Caspar Callerström: Just to be clear in the difference between that €2 billion to €3 billion and €5 billion is really that they have some strategies where in the core – more core and the managed accounts, where it's charged on deployed. And as deployment goes on, that will build AUM without having any fundraising. So that's the diff, sort of, between the €5 billion and the €3 billion that I mentioned.

Magnus Andersson: Yeah. Okay, thank you. And then, turning to EQT and the deployment of capital. Obviously, it's been a very rapid deployment of EQT IX and Infra V so far. And it was the same for EQT VIII and Infra IV. So I was just thinking, were there – was there any – it's been extremely fast. So was there any tamp-up activity here of the COVID-19 crisis in the spring so that we should expect this to slow down, going forward? Or has anything structurally in your model changed at all over time, which means that the three-plus years you've been showing us historically is perhaps not relevant anymore?

And also linked to that, since we are getting closer to the next generation, EQT X and Infra VI, in a quite rapid pace, how we should think about the sizes of those funds? If we should look at the recent increase in sizes or anything else?

Christian Sinding: Thanks. I'll start there. You know, if you look at – excuse me. If you look at the deployment rate, I mean, we don't expect there to be a change versus our historical precedent of around three years. And I think 2020 is a – maybe it's a strange year, but it's not that strange, in terms of deal-making.

You know, we made very few deals in the beginning of the year, a lot of deals in the end of the year. And that is private capital, you know? We do about 15 deals in each of the key funds over that three-year time period. So if you think about that, that is only five deals a year. And if those five deals – sometimes, it's – it can be seven; sometimes, it can be two.

So, you know, this is not like a liquid strategy where you can just kind of line up the transactions and invest them – at least not – that's not how we work. You know, we're really trying to find – you know, each company that we're investing in, we're trying to find – sorry, I'm looking the wrong place now – trying to find, you know, where we can really add value and how we can really build upon the business.

So I think one structural shift that's happened over the last five, seven years or so is that we have become present, you know, in all European countries, including France, last year. And, you know, we're building out our presence in North America. So, you know, we are truly local-with-locals across, you know, all the areas that we want to invest in and we're building out Asia-Pacific, as you know.

So we actually are the only private capital firm in the world that has, you know, offices in every significant European country. And therefore, we have a lot of deal flow being produced, you know, from these two axes that I talked about earlier: the thematic investment side and also the local-with-locals side. So all these investments we've made in our platform that we talk about are now, you know, providing us with this strong deal flow. But we have not made a shift to accelerate, you know, or anything like that.

But it is hard for us to say at the beginning of a fund – you know, assuming the markets are going to be pretty healthy – is it going to be exactly three years or is it going to be two and a half or three? That's not how we allocate capital. Like I said, we are – you know, we do specific deals and build up the portfolio construction over time.

Yeah. Did that help you?

Magnus Andersson: Yeah. Can I just follow-up there with, has it ever, ever happened before that you have been 30% to 35% invested after six months and 20% to 25% invested after two months respectively?

Christian Sinding: It wouldn't surprise me if we had. I think the deployment here is not that different than EQT VIII and Infra IV, actually. And looking back to EQT IV, for example, we invested EQT IV in two years. That ended up being 2.8x the money. The generation before was a bit slower and not so successful.

So, like I said, this is not – you know, I wouldn't try to read deep trends into this. It's really built in the way that I described. And then –

Magnus Andersson: Okay.

Christian Sinding: – the kind of region of the market and, you know, our teams and how we, you know, find those right companies is really what drives it. Yeah.

Another way to turn – another way to answer the question, which we talked about with our LPs is, you know, we try to diversify in multiple different ways. We try to diversify across sectors, across geographies, across themes, and currency – whatever you might say. It's a little bit more complicated for us, you know, to diversify a lot across time. And we think the three-year cycle is something which is – which suits our model in a good way.

Maybe Caspar has something to add or Olof?

Caspar Callerström: Yeah, I – you know, I think we also started on EQT VII at a very high deployment pace, if I recall right. But I think – I mean, maybe to add to this, I don't think – also, the LPs, obviously they like because from a fee perspective, it's good with quick deployment.

But on the other hand, you want to have some clarity and some feeling for the fund – the existing fund before you go out and raise a new one. So very short deployment period might actually be tricky to raise the next fund because the visibility or the quality of that fund is more difficult.

So, you know, I would just second what Chris is saying. I think sort of three year is what you should be expecting, but I also think it's sort of the optimal, from many perspective.

Kim Henriksson: May I, from a technical –

Magnus Andersson: Yeah. Okay.

Kim Henriksson: – perspective, just add that the fundraisings are still ongoing and the percentages you mentioned are based on target fund size until we've closed the –

Magnus Andersson: Yes.

Kim Henriksson: – funds.

Magnus Andersson: Yeah, okay. And then, the second one about how we should think about sizes for the successors for these two?

Christian Sinding: Yeah. I think it's – I would say it's too early for us to comment on the size of the successor funds at this point in time. You know, what we do is when we – you know, we start – about a year or so before fundraising, we start to gauge, you know, our deal flow, our performance, the market, the interest of LPs, etc. Then, we lay out a strategic plan for the fund. Then, we set the size, you know, in discussions with our LPs and our – of course, ourselves. So it's a – we haven't started that process yet. So I think it's too early to comment.

Magnus Andersson: Okay, yeah. Okay. Thank you very much. That's all for me.

Christian Sinding: Thank you.

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

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

Firstly, on the current fundraising for EQT IX and Restructure V, so far, you're targeting – your target sizes are still below the hard cap. Do expect both of them to reach their hard cap by the time you finish fundraising? That's the first question.

Second question is on the fee margin for EQT. I think the fee margin fell incrementally in the second half versus this first – versus the first half. Can you explain why this is the case and whether or not you expect further fee margin pressure?

And lastly, now that you've acquired Exeter, are there any other gaps in your business that you think you may have to look at to acquire in the future once Exeter is completed? Thank you.

Christian Sinding: Thanks. I think I'll start with the last one. And then, I'll let Kim take the first two.

You know, of course, this is a significant move for us, with Exeter. We think it's a fantastic match culturally and with investment strategy as well. So I think we're going to spend our time here and the near future, making sure that we combine in a great way and, you know, work well together and really build, you know, one combined business with this great culture that we both have.

If we are going to do more M&A in the future? Yeah, I think it's too early to comment on that now. But, of course, we do continuously have a map of whitespace geographically and also product-wise that – you know, that we can start thinking about filling in at the right time. But right now, we're razor-focussed on Exeter.

Kim Henriksson: And on the ongoing fundraisings, as you know, we are – we're restricted from commenting on those kinds of things. So I can't really comment on that. I can – what I can say is that historically, we have been at hard cap levels for similar fund raises.

On fee margins – I mean, you are down to the second decimal, if you say that our fee margins have incrementally gone down. We continue to state that our large flagship funds have substantially the same fee levels as their predecessor funds. And we expect the sort of blended fee margin to be in the range of 1.4% and I think that's the case.

Hubert Lam: Great. Thank you.

Operator: And just as a final reminder, if you do wish to ask a question, please dial 01 on your telephone keypad now.

Our next question comes from line of Jens Ehrenberg from Citi. Please go ahead.

Jens Ehrenberg: Hi. Morning, guys. Thanks for the presentations and congrats on the transaction. Just a couple left over from me.

On the exit and – transaction – and apologies if I've missed that – what are – in terms of performance fees, what are the sort of hurdle rates that you look at?

And then, secondly, just following on some of the previous performance fee questions. Is there any way you could give us sort of a split that shows us – or if you had a very strong performance fee this half, how much is driven by actual exits and how much is driven by improved valuations in the funds?

And then, secondly, it's now connected to that. Looking at EQT VII, that's obviously recovered very well over the second half. I think we were standing at a more weaker 1.7x at the end of the first half, now, it's 2.3x. And again, I appreciate you probably won't comment on individual investments. But is there any sort of colour that you can give us on how that performance was so well?

And the last point. I was just curious about – speaking about the Retail and kind of Private Wealth opportunity. I know a lot of focus is on the US for these pension schemes. What's your view on that in Europe? Could you see yourself launching sort of like an LTIF or master feeder structure to provide some – yeah, any sort of private capital product to retail in Europe? That's all for me. Thanks.

Caspar Callerström: You're on mute.

Kim Henriksson: You're on mute, Chris.

Christian Sinding: Oops, sorry about that. Thanks a lot. Classic. So I'll start with the last two. And then, Caspar and Kim can take the first – the first two.

Now, when it comes to EQT VII performance, you know, I think – you know, what we're saying is that the fund is performing quite well, as you've seen. So it's, you know, that the tick – the uptick from 1.7x to 2.3x is a combination of both, the portfolio performing well and exits.

It's hard to give a detailed breakdown of exactly what drives what. Because the waterfall is like, you know, you fill up the bucket both with valuations ends with exits. And then, when water kind of starts to run over, that's when we – you know, that's when we, you know, generate carry – first on accounting basis and then later in cash.

So it's a little bit hard to say exactly what water fills up what. But maybe Kim can give a little bit more detail on that in a second. More philosophically, but it is a strong portfolio and we continue to expect value creation from EQT VII. But what we've also said is that we're – you know, we don't – we're not going to, you know, change the goal of the fund until it persistently and materially performs above the 2.5x.

When it comes to Retail in Europe, yes, it's an interesting opportunity. Still early days. Like I said, we have hired a specialist to help us build a strategy there to, you know – across, you know, both Europe and the US and probably also Asia over time.

And how do we become – how do we provide a really interesting investment opportunities to the Retail space? This is not the easiest question to answer. I think what we'll do is when we have a plan on how to attack that more structurally, we'll – you know, we'll let you guys know.

We do today have quite a significant Private Wealth channel that's investing with us, you know, a lot of the private banks with the – in wealth management. But our own Retail products – you know, too early to comment, I guess. Thanks.

Kim Henriksson: And on the hurdle rates for the value-add funds, it's in the region of 8% to 9% – the hurdle rates. And just adding to Chris comments there, I absolutely agree that it's that – given it's kind of a whole fund carried, that it's not really possible to disintegrate the exits and the value uptick.

And furthermore, we have examples such as the Certara IPO just before Christmas, where we sold a small proportion. And obviously, from that proportion, we then – we don't have any discount on that anymore because it's sold and exited. But then, we have a significant uptick in the aftermarket performance.

So we also mark up the value of Certara thereafter. But on that value – again, we have the 30% to 50% discount in all our funds. So it's a mixed effect. Yeah.

Christian Sinding: Yeah.

Jens Ehrenberg: Okay. No, that makes sense. Thanks, I appreciate the colour.

Christian Sinding: Thanks, Jens.

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

Roberta De Luca (Goldman Sachs): Hi. Good morning and thank you for the time. And there's a few questions for me.

One, on the step-downs. So you – you've communicated about €7 billion of step-downs, but can you maybe remind us a portion of this will be partly reversed at least and some of the deals announced will close? And if so, can you maybe remind us what's the total deployment rate for announced deals rather than closed on the two predecessor flagship funds?

And then, again, on carried income – sorry, but obviously, you reported much better than expected results. So can you maybe just give us a split between carried interest and investment income? And I assume the carried interest would be mainly from EQT VII? Just want to double-check that's correct.

And then, the final question. Appreciate there's been a lot to update on today, but is there any update you can give us also on the expansion in – for EQT in APAC?

Christian Sinding: Yeah, I'll take the last one. And then, Kim, of course will take the first ones.

No, it's a little bit too early for us to give you an update on Asia-Pacific. What I can say is that the next – you know, the next market that we will be moving into, with regard to, you know, employees and offices, is Japan. I think we mentioned that before.

We opened Australia last year. We have a team, both in Infrastructure and Private Equity, there now, which is great. And, you know, we are building the strategy for the future across the region. I said, I think, earlier in the presentation that we will come back to, you know, Asia-Pacific as well as, you know, our views on potential long-hold funds later this year.

Kim Henriksson: And in terms of the step-downs, the – maybe the way to think about it, Roberta, is like this, that – we've said that the fund should have 80% to 85% invested. So whatever is left of that will be, in the end, coming back to the fee-paying AUM. And over time, when we make add-on acquisitions or additional equity, it could go up to 100%. So – but sort of in the short – in – now in H1, you can think of it as sort of 80%-85% approximately.

On the second question, investment income in the period in 2020 was €16 million. So the – that's, I think, the 153 on that line item. So 137 was carry, in total, of which the vast majority – more than 95% was – or 95% was EQT VII.

Roberta De Luca: Perfect, thank you.

Operator: And we have one more question from the line of Gurjit Kambo from JP Morgan. Please go ahead.

Gurjit Kambo (JP Morgan): Hi, good morning. Just a couple of questions.

So on Exeter, what's the fund structure like? Is it still like an eight to ten-year horizon on the fund structure for their funds?

And then, just on fees. I presume it's on invested capitals that's just on the structure. And then, given it feels like it's a much more intensive business in Exeter, I – you know, I'm just – I'm pretty impressed by, you know, the margins are still 60%. You know, are they just really efficient in the business and how they run it? Is there just any sort of colour on, you know, I guess, efficiency of Exeter?

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

Caspar Callerström: Yeah. I think I can start with the last one. I think, yes – I mean, they are running an efficient business, for sure. And I think that the that's our aim to continue to do that. So we will obviously integrate them, but they will also be, you know, independent, within – how they operate and what they do in a certain way. Because it's not – it's a business that are – is very close to what we do, but it's not exactly the same. So therefore, we think that it's better operated semi-independently, you can say.

And when it comes to the investment or the fund length on the Exeter side, it's somewhat shorter. So the value-add funds are typically three plus three. So three years deployment, three years holding, and then can be extended after that. Whereas the – you could say on the other end of the spectrum, you have the managed accounts, which are typically indefinite, right? They go on until they don't anymore. So – and so, it's a – and Core+ plus is typically longer. So you have the full spectrum there, but the value-add is somewhat shorter than what we are used to – typically, eight years, compared to the sort of 12 years on the PE fund.

Christian Sinding: And, you know, their business model is, as you mentioned, is quite – it's quite intense in the sense that they do buy a number of these smaller assets. They improve them significantly with CAPEX, with tenant improvements, with logistical improvements, etc. And then, they pool a number of these assets together and then exit those to, you know, to larger pension funds and other long-term investors in the world.

So it's – so in order to be able to do that in multiple locations, you know, across, you know, several different asset classes, you need a lot of competence. And that's why this is – you know, it's not an easy model to replicate and that's also what we really like. It's the same with EQT, you know? It's not that easy to replicate that we're local-with-locals in every single country.

So we think that match is really good. But it is, of course, more work-intensive than other Real Estate funds which outsource a lot of that. But in return, you also get the margin that you see. You know, you get the full income of all the services that you are providing to generate the returns.

Gurjit Kambo: That's great. Thank you very much.

Christian Sinding: Thanks, Gurjit.

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

Christian Sinding: Okay. Thank you very much. It was a day of lots of announcements and lots of information. Thank you for great questions. Thanks for being with us today. Feel free to reach out, for any reason. And we thanks again for – you know, thank you again for – yeah, for joining us this morning. And wish you a great remaining week. Thanks a lot.

Caspar Callerström: Thanks, everyone.

Kim Henriksson: Thank you.

Olof Svensson: Thank you.

[END OF TRANSCRIPT]