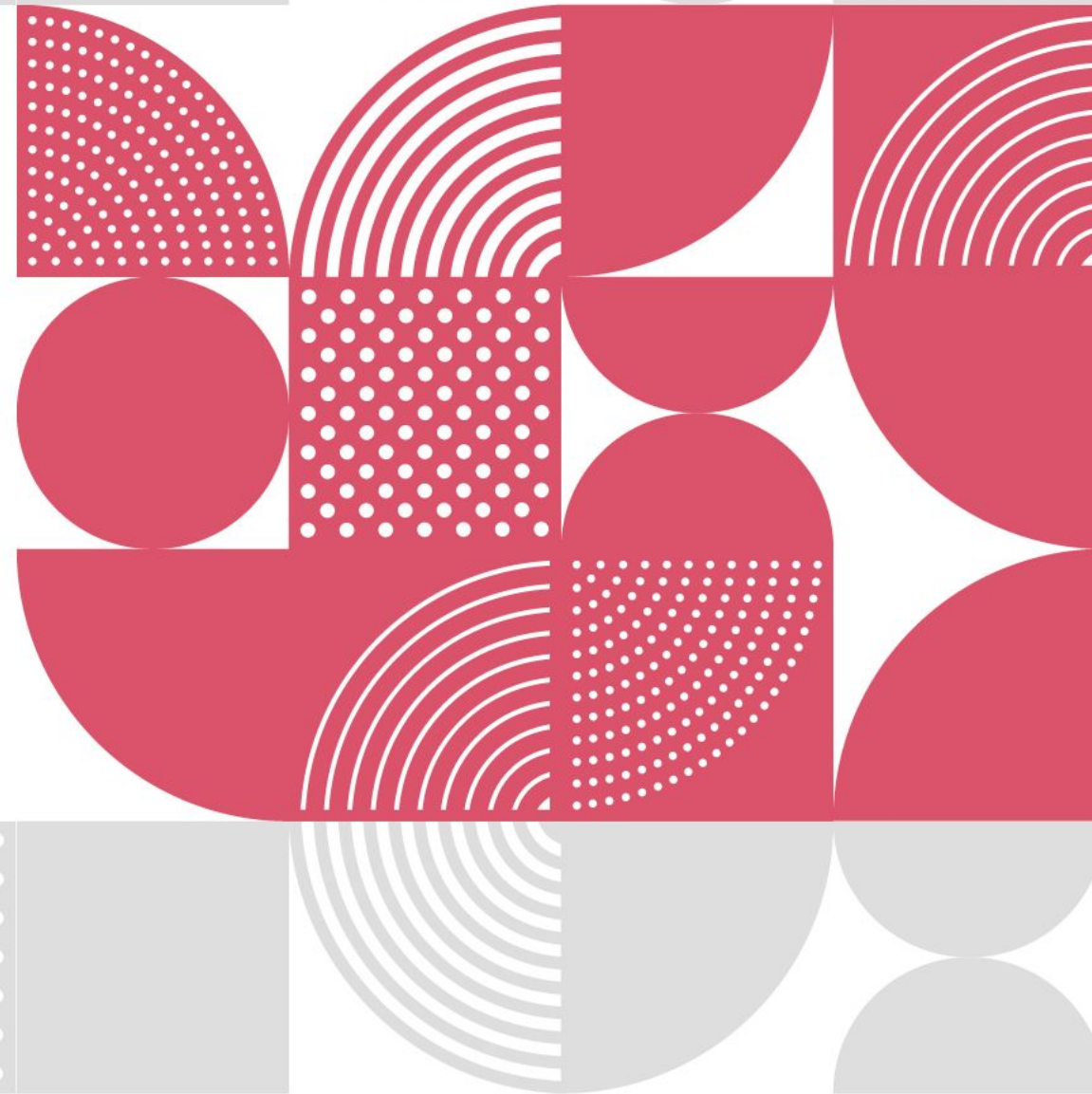


Thank you
for joining.
The event
will begin shortly.

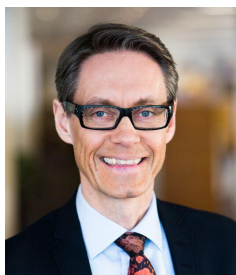


Valuations Landscape

Presentation by PwC
January 2021



Presenting to you today



Per Storbacka
Partner
PwC Sweden



Mike Byrne
Partner, EMEA PE
Funds leader



Stephan Révay
Partner
PwC Sweden



Paul Silcock
Director, Assurance
PwC Jersey

Agenda

1. Introductions
2. Valuation trends in the current market
3. What should managers be mindful of when performing valuations in the current environment
4. IPEV updates
5. How should valuation methodology adjust to deal with the volatility in public markets
6. Other considerations and closing remarks
7. Q&A

Market observations - listed share price movements since 1 Jan 2020

Europe and the Scandinavian stock markets

GDP in Sweden decreased by approx. **3.3%** due to Covid-19. GDP is expected to increase by 3.0% in 2021.

Inflation of 0.5% in Sweden 2020. Inflation is expected to increase to 1% in 2021.

Share price movements from 1 April onwards demonstrate recovery across the board.

Market movement (2020)



Market observations - listed share price movements since 1 Jan 2020

YTD market recovery

13% fall in UK
listed shares since 1 Jan

4% fall in European
listed share prices

14% rise in the US
and

5% rise
in European listed PE
share prices

Market movement (2020 YTD)



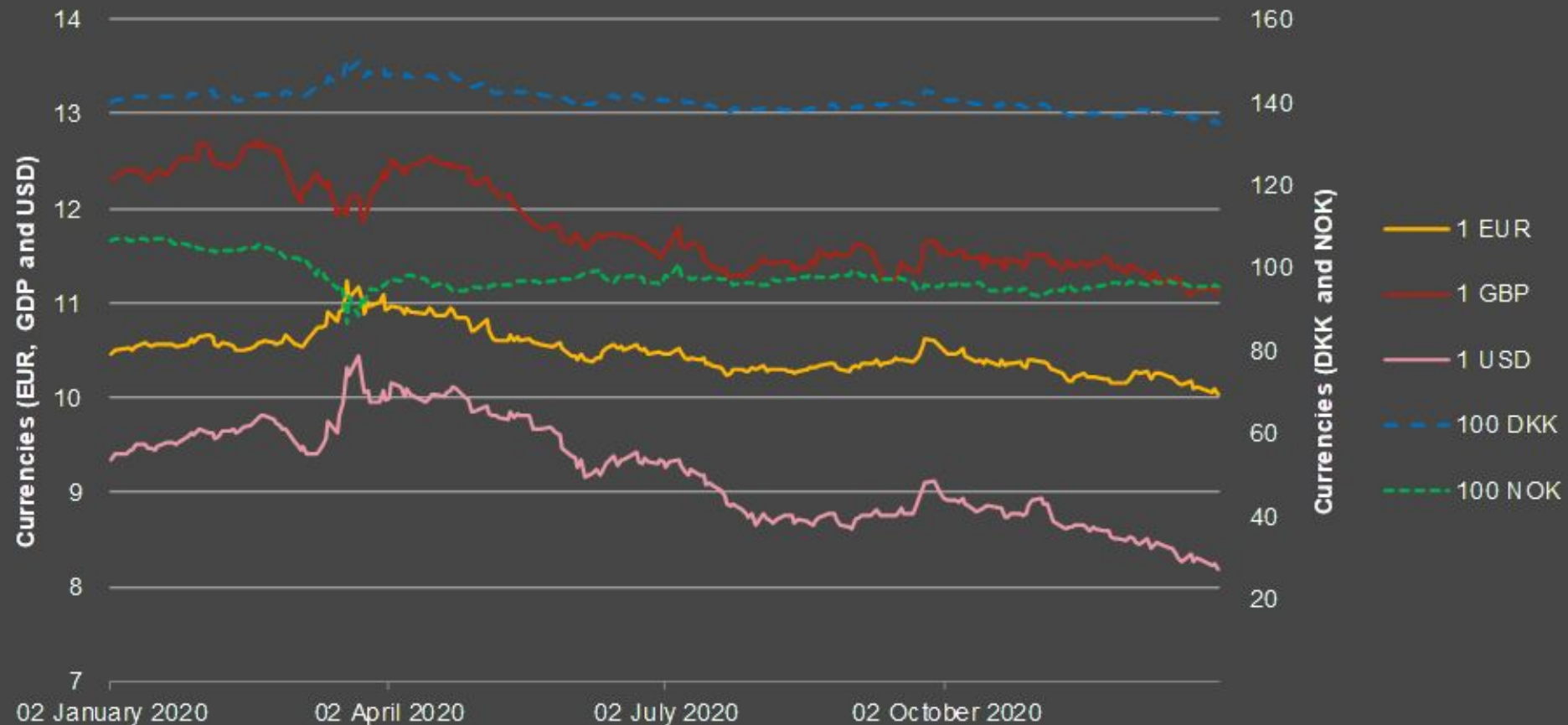
Share price movements from 1 April onwards demonstrate recovery across the board, however, only the US (S&P 500) and European PE index have recovered to pre-COVID levels

Market observations – SEK movements since 1 Jan 2020 against EUR, GBP, USD, DKK AND NOK

SEK affected as
Covid-19 entered in
March.

Since then **GBP,**
USD and EUR
has devaluated.

Currencies against Swedish kronor during 2020



The Swedish Equity Market Risk Premium study by PwC of 2020

Total expected stock market return May 2020

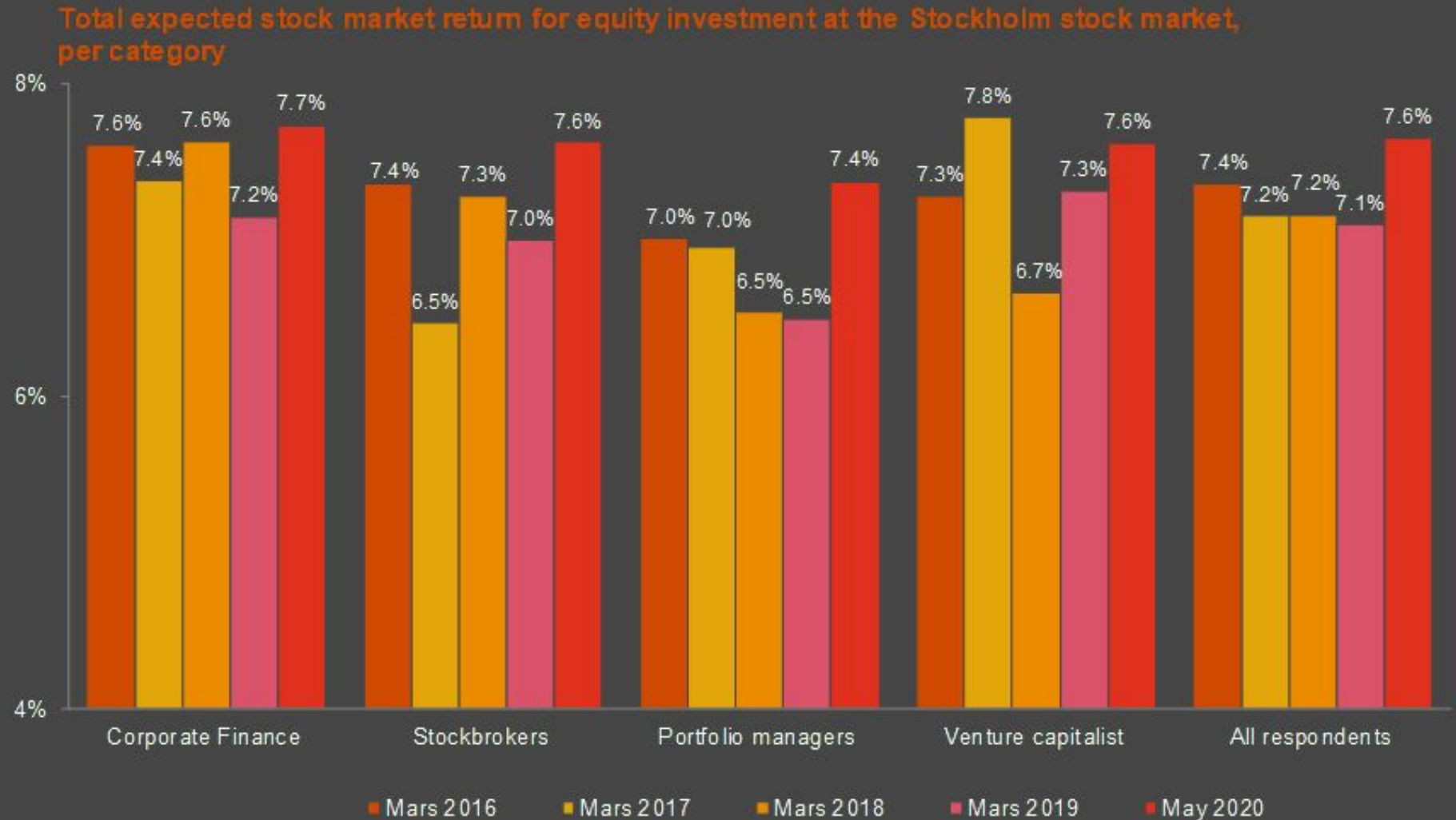
7.6% all time high

Normalised long-term risk free rate

2.4%

Small stock premiums

1.2% - 4.6%



UK & EMEA PE survey - Q3 '20 - key observations

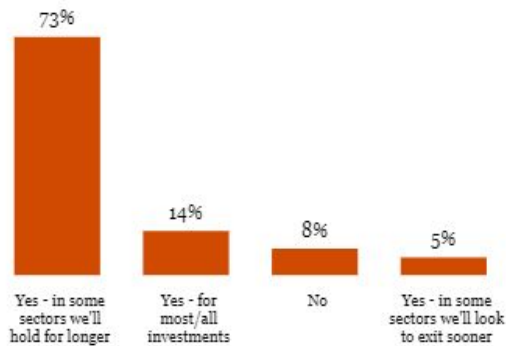
Do you consider COVID-19 to have significantly impacted your exit timings?

Do you consider COVID-19 to have significantly impacted exit strategy?

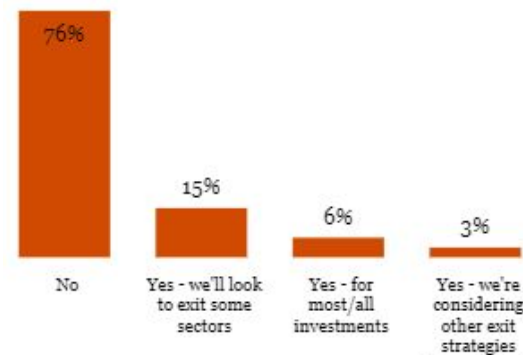
Do you consider your valuation processes to be prepared for a second shock?

How might you change your valuation approach if there was a second shock?

Impact of COVID-19 on exit timings



Impact of COVID-19 on exit strategy



84% of respondents either 'fully prepared' or 'somewhat prepared' for a second market shock from a process perspective.

Over **90%** of respondents would follow a process similar to that which was in place for Q1 with increased scrutiny over market data and use of scenario analysis.

Relying on the price of recent investment

89% of UK & EMEA Q3 '20 PE Survey respondents use transactions as a data point for valuation. However, there are some key questions to be asked to ensure this is appropriate, more so during periods of market volatility:

- How recent is the investment?
- Is the transaction arm's length?
- What was percentage stake acquired?
- What was the rationale for the deal?
- What were the instruments acquired?
- Is there any evidence of distress?



IPEV Special guidance – effective 31 March 2020

COVID-19 guidance released Friday 27 March. Additional support for application of valuations during the current period of uncertainty and volatility

1	Fair value assumes an orderly transaction rather than a fire sale
2	Consider whether it is appropriate to include the impact of government subsidies
3	Don't 'double dip' valuation risk by adjusting for the same risk in both earnings and the multiple/discount rate
4	Recent transaction prices are likely to be less relevant unless they completed subsequent to COVID-19 impact
5	Levelling considerations should be made around whether there is an active market
6	Market movements are likely to provide a good indication of value shift
7	Estimating fair value should consider liquidity and the risk of failure. A scenario based analysis may well be appropriate
8	A debt investment that is still able to make interest payments does not mean that a value at par is reasonable
9	It is highly likely that last quarterly NAV will not be appropriate for FOF investments
10	It is better to provide a best estimate of fair value than delaying either investor reporting or value adjustments

Other valuation considerations we are seeing from our clients

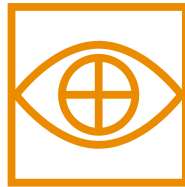
1

Increasing investor scrutiny around valuations of portfolio investments



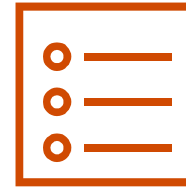
2

A demand for greater transparency around methodology and areas of judgement



3

Going concern and liquidity assessment of underlying portfolio



4

Investors look for more disclosure on outcomes and sensitivities



Panel

Q&A

Panel Q&A - Discussion:

“

COVID-19 & Lockdown: Impact on
sectors and industries.

”

Panel Q&A - Discussion:

“

Level of support for private equity-backed businesses in the current environment.

”

Panel Q&A - Discussion:

“

Comparable company transactions post
COVID-19 - evidence of value.

”

Panel Q&A - Discussion:

“

Business viability post COVID-19 and understanding the fundamentals in valuations.

”

Panel Q&A - Discussion:

“

Fundraising trends in the Nordic regions.
Buying and selling opportunities.

”

Panel Q&A - Discussion:

“

Valuation methodology and changing models best practice.

”

Panel Q&A - Discussion:

“

What level of disclosure and audit impact for financial statements at 31 December 2020?

”

Panel Q&A - Discussion:

“

Non-Executive Directors and interactions
with Investment Managers.

”

Any questions?

Questions after the event:

Please email michael.j.byrne@pwc.com



Thank you

www.pwc.com/jg

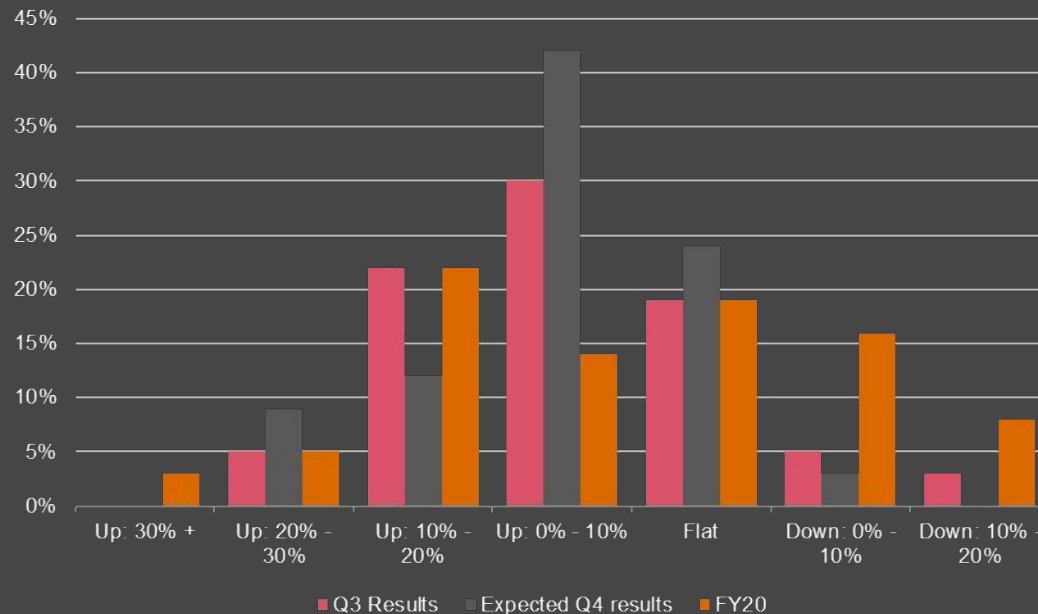
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After peak volatility and write downs in Q1, and a rebound in valuations in Q2, market recovery has endured through Q3 with this trend expected to continue into Q4.

Quarterly and annual valuation impacts

Actual and expected results



62% of respondents expect valuations to have remained flat or increased compared to the previous financial year, against **24%** who expect valuations to have decreased.

This would suggest that the **c.20%** declines we saw in Q1 have either fully reversed or, in some cases, we are seeing valuation uplifts.

76% of PE survey respondents saw a Q3 valuations increase or remain flat

Only **8%** of respondents saw Q3 portfolio valuations decrease

88% of respondents expect Q4 valuations to remain flat or increase