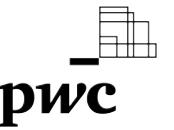


Thank you  
for joining.  
The event  
will begin shortly.



# Valuations Landscape

Presentation by **PwC**  
January 2021



# Presenting to you today



**Adrian Keller**  
Partner Asset &  
Wealth  
Management  
PwC Switzerland



**Mike Byrne**  
Partner, EMEA PE  
Funds leader  
PwC Jersey



**Marc Schmidli**  
Partner Deals &  
Valuation  
PwC Switzerland



**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

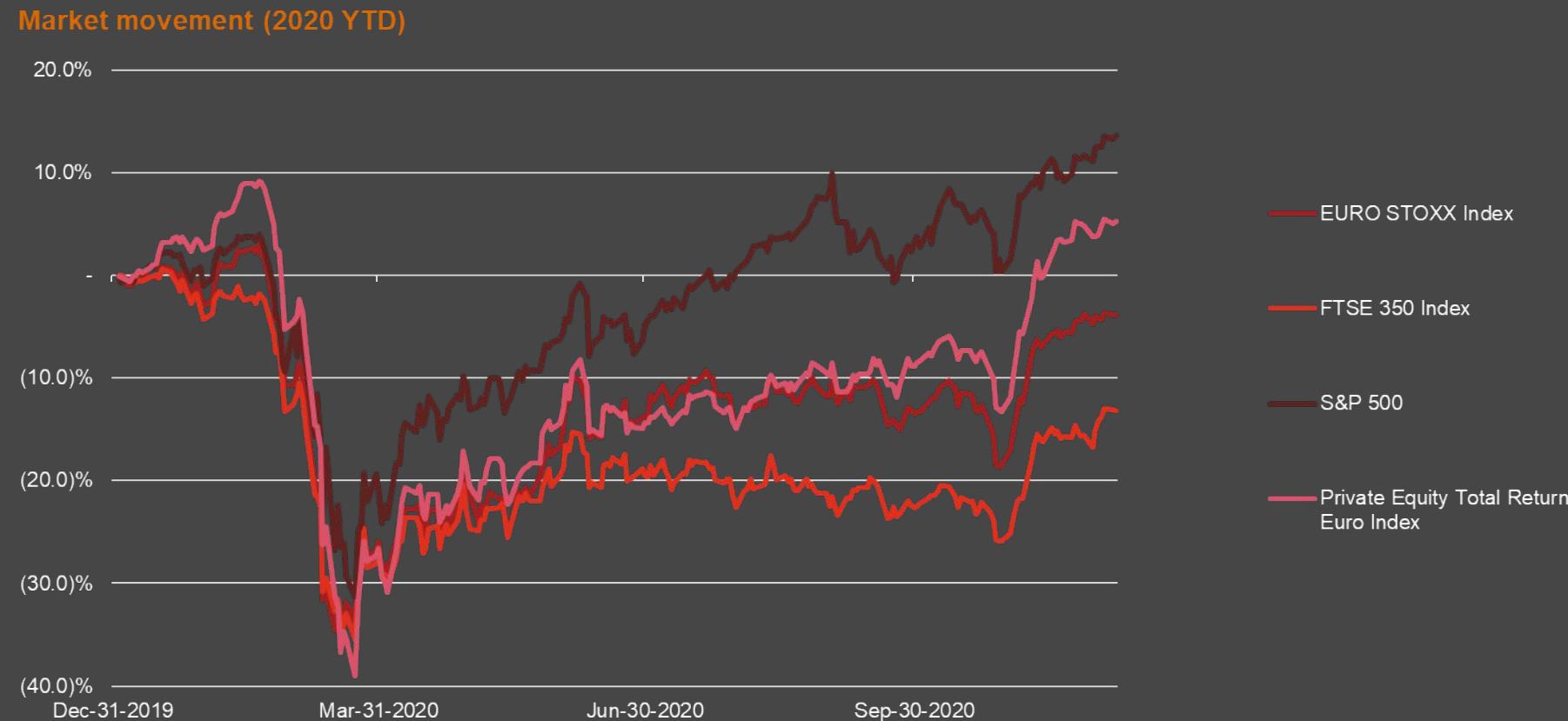
## YTD market recovery

**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



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 - listed share price movements since 1 Jan 2020

**GDP** in Austria, Germany and Switzerland

decreased by approx. **4-5.5%** due to Covid-19. GDP is expected to increase by 3.5-4% in 2021.

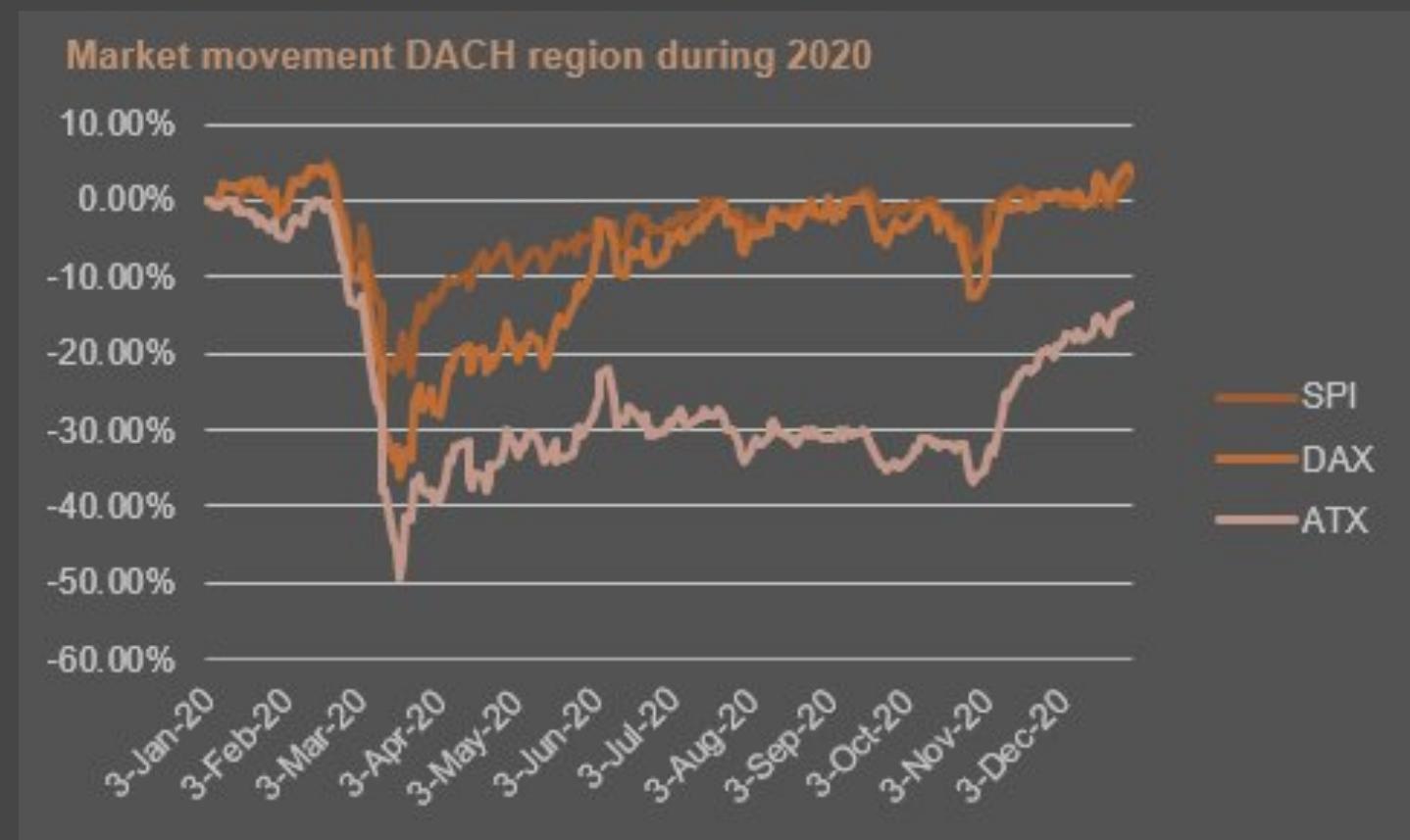
**Inflation of -0.7%** in Switzerland

and **0.5%** in Austria and Germany 2020.

Inflation is expected to increase to 0% in Switzerland and 1% in Austria and Germany 2021.

## Share price movements

from 1 April onwards demonstrate recovery across the board.

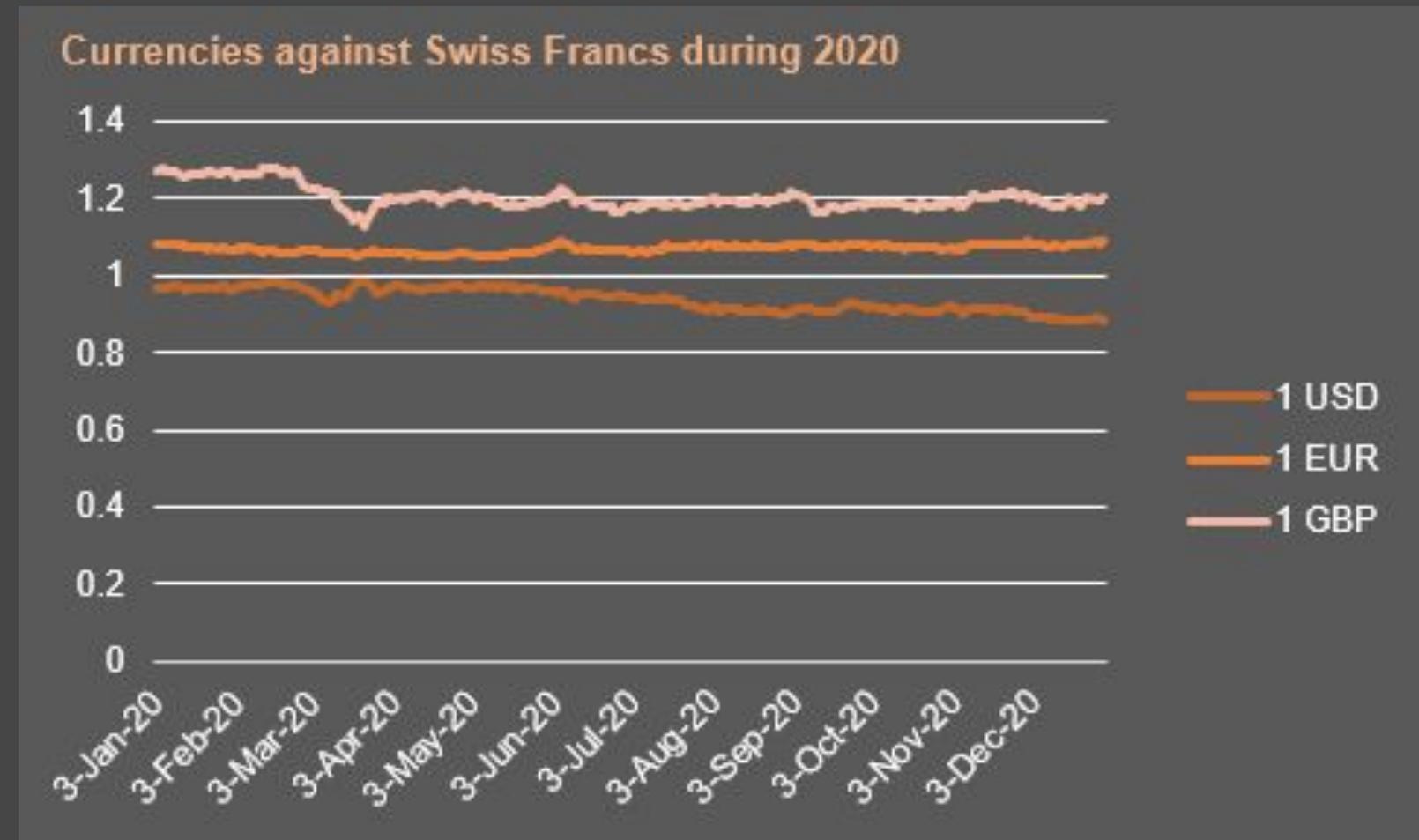


# Market observations – CHF movements since 1 Jan 2020 against EUR, GBP and USD

## CHF and EUR

affected as Covid-19 entered in March.

Since then **GBP** and **USD** has devalued.



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

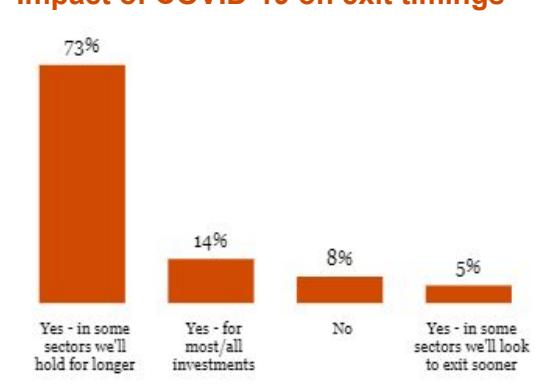
“ Do you consider COVID-19 to have significantly impacted your exit timings? ”

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

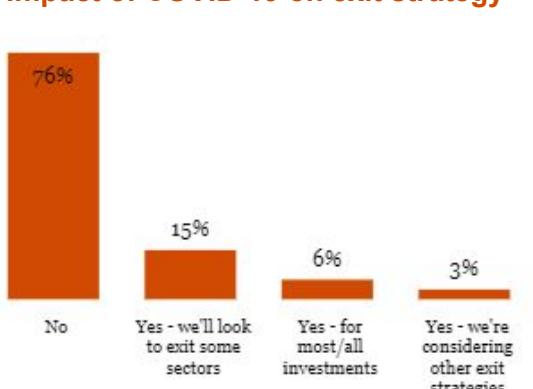
“ Do you consider your valuation processes to be prepared for a second shock? ”

“ 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



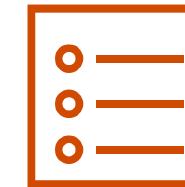
2

A demand for greater transparency around methodology and areas of judgement



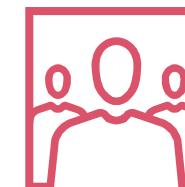
3

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:

“

Industry sectors and players reacting to acceleration & changes due to Covid.

”

## 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](mailto:michael.j.byrne@pwc.com)



# Thank you

[www.pwc.com/jg](http://www.pwc.com/jg)

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