EQT AB Quarter Three 2021 Conference Call

Wednesday 20th October 2021
Introduction
Olof Svensson
Head of Shareholder Relations

Good morning and welcome to EQT’s Q3 2021 presentation. During the past quarter, we have taken further steps to future EQT for continued growth. We have taken our sustainability agenda to the next level, continued to invest in EQT’s operating platform, and we have improved the lock-up structure which was put in place at the time of EQT’s IPO. Together with Christian, Caspar and Kim, we will today talk about – more about these aspects as well as fund valuations, which are developing very well, activity levels and the development in AUM.

After the presentation, there’ll be a Q&A. As always, in order to ask questions during Q&A you need to be dialled into the conference line. And with that, I will hand over to Christian. Next slide, please.

Presentation
Christian Sinding
CEO and Managing Partner, EQT

A stronger EQT for the future

Thank you, Olof, and good morning, everyone. I am excited to present to you a number of steps we have taken to build a stronger EQT for the future. We announced this morning the official launch of the EQT Future Fund and our longer-hold strategy within private capital. The EQT Future Strategy strengthens EQT’s platform-side commitments to make a positive impact. I am proud to say that EQT as a first private market firms globally, has set science-based targets in line with the Paris Agreement, but more importantly committed that our portfolio will do the same.

Fundraising

We continue to be busy when it comes to fundraising, and we are currently preparing for EQT X, a long-term core infrastructure strategy and Ventures III. Investment and exit activity continue to be good during the quarter at €8 billion and €5 billion respectively, supported by the market conditions seen during most of the period. EQT’s mission is to create superior returns for our fund investors in a responsible way.

Strategies

Now, I am very happy to see that all of our strategies are performing very strongly, and we are driving value creation across the board. Importantly, EQT VIII is now expected to perform above planned, and EQT VII and Infra III continue to develop above plan as well. Having said this, the global economy is facing potential challenges when it comes to inflation and higher rates as well as supply shortages and increasing energy prices. As for others, EQT would also be affected by a slowdown in the global economy.
But we also see strength in EQT’s sole focus on active ownership strategies. Our value creation agenda builds on active ownership and transformation of companies, not financial products. And we do this in sectors driven by long-term secular trends.

**Investment in people**

We continue to invest in people in our platform, and we are now approaching 1000 – or 1100 actually, employees across the globe. We announced recently strategic hires in our sustainability team, and our new heads of private equity and infrastructure in Japan have now joined us as well as head of infrastructure in Korea.

**Improved lock-up structure**

In September we took a proactive step to improve the lock-up structure we put in place at the time of the IPO. Less than two years after the IPO, EQT had already delivered where we expected to be after four years based on the plans set at IPO. This meant the IPO lock-up was outdated. EQT realised a need to improve the structure to the benefit of EQT and our stakeholders. The result is that partners will reinvest half of the net proceeds from the offering into EQT funds aligning the interests with our client. In addition, we have nearly doubled the lock-up duration.

EQT has more control of the shares after the sell-down, and the final expiry of the lock-up is now taking place nine years post-IPO for our most senior partners. Caspar will come back with more details on the revised structure later. We are also continuing to invest in the EQT platform across people, technology and sustainability, which as Kim will talk about, will drive costs well.

As mentioned in our first half update, we continue to look actively for M&A candidates that can strengthen EQT in line with our strategy and our culture. Next slide, please.

**Science-based targets**

In the last few months, we have taken important steps to strengthen EQT’s ability to make a positive impact at scale in line with our purpose. We are proud to be the first private markets firm in the world to set science-based targets, targets that are in line with the Paris Agreement. Our first target is to cut EQT AB’s direct emissions by 50%. Our second target is to reduce the emissions from business travel by 30%. We will also support our portfolio companies on their journey towards having their own science-based targets validated, at least 10 years faster than required by the science-based targets initiative.

Our fourth target related to the EQT real estate funds, which will set out to reduce indirect emissions by 55% per square metre floor area. And EQT Exeter targets will be coming in due course.

**A strengthened sustainability team**

As recently announced, we have strengthened our sustainability team with the appointments of Bahare Haghshenas and Sophie Walker. Bahare has assumed the overall responsibility for sustainability globally at EQT, and Sophie is partnering with the investment advisory teams throughout the lifecycle of an investment, so we welcome them again. Next slide, please.

**EQT Future**

This morning we officially launched EQT Future, EQT’s impact-driven longer-hold fund. EQT’s purpose is to future-proof companies and make a positive impact and this applies to all of our
strategies and everything that we do. We have a firm-wide approach to embed positive impact into every investment. Together with our science-based targets and EQT Future’s impact-driven investment thesis, we are raising the bar further for EQT and, ultimately, for all our investment strategies. EQT Future is a natural extension of our strategies within private capital. EQT’s active ownership strategies already span from Ventures to growth to market-leading companies in equity, and now, with EQT Future, we have a strategy that can invest in companies with market-shaping impact potential, where transformation actually requires a longer ownership horizon.

We also have the ability to partner up with long-term investors through a more flexible mandate. With EQT Future, we have the foundation to grasp the most exciting opportunity and responsibility of our time which is to support businesses that can really accelerate change for the benefit of the environment and society at large.

Investments will be made in line with three key objectives. Planet, safeguarding sources and protecting our client, People, improving mental and physical health, and Prosperity, creating equality of opportunity. We have set a target of €4 billion for the EQT Future Fund while no hard cap is set yet. As previously announced, the management fees for the EQT Future Fund will be charged on invested capital during its full term. This means that management fees will be charged only as and when investments are made by the fund. The fund will also have a carry structure partly based on impact-related KPI’s and the overall carry is somewhat lower than EQT equity. Next slide, please.

**Impact management framework**

Each investment EQT Future Fund makes needs to have a clear impact thesis. That is why we have established an impact management framework designed to drive impact both at portfolio level and at company level, and these will cover reduction of greenhouse gas emissions using the science-based targets of course, improved employee wellbeing, aiming to progress towards top-quartile employee and PS scores and gender diversity, where we’ll aim to progress towards a minimum 50-50 split of the top 20% earners in the portfolio.

**EQT Future impact acceleration plan**

To achieve these ambitious targets, EQT Future will deploy an impact acceleration plan for all its portfolio companies. In addition, EQT Future will apply EQT’s active ownership model to accelerate sustainable transformation of companies alongside creating long-term good, risk-adjusted returns. We have made sure that Infra is aligned with EQT Future, and an example of this is that up to 20% of EQT Future’s total carried interest will be linked to achieving the portfolio level impact KPI’s. EQT Future will also be supported by a diverse mission board that will provide strategic direction and impact focus advice. The mission board is going to be co-chaired by Jacob Wallenberg and Paul Polman, and we look forward to announcing additional members within short.

And with that, I will hand over to Caspar.
Future Proofing for Growth
Caspar Callerström
COO and Partner

Caspar Callerström: Thank you Christian. Okay. Let me next highlight a few points when it comes to our upcoming fundraising.

Fundraising
As previously mentioned, we expect that the flagship fundraise is to be on a relatively short cycle given the healthy investment pace that we currently see – that, as well as a very strong performance across the fund. We are making preparations for EQT X to start fundraising in early 2022. We expect that fund to be activated at some point during 2022. And fundraising will likely take at least a year from the start of the final clause.

When it comes to size, it is still early days. Keep in mind that we are first and foremost performance-driven, not AUM driven. But having said that, we do not really see any structural limitations to growing the fund meaningfully, and there are other funds that are significantly larger than EQT IX, which is a €15.6 billion fund. Again, early days and no decision has been made yet. So updates will be made as and when the decision on target fund size has been made.

Infra VI – Infrastructure VI could be launched after EQT X, but we will not be fundraising two flagship funds in parallel in their active phases just as before. It is more likely that we follow a similar sequencing when it came to the recent fundraising of EQT IX and Infra V. When Infra V was launched when the active part of EQT IX fundraising was materially concluded. We see scope to grow the size of our flagship Infra find as well, but it is also too early to comment on this, and we have not even had a final clause on Infra V. In addition to EQT X and Infra VI, we are making preparations for the Infra Core Strategy, the long-hold strategy of infrastructure, as well as Ventures III.

Commitment to APAC
We are continuing to strengthen our commitment to APAC with the recent appointment of the head of private equity and infrastructure in Japan. We are also building the team in Korea, and we opened an office in Sydney last year. And we continue to see interesting investment opportunities across the region. But given the accelerated timeline for EQT X, we have however decided to postpone the launch of a dedicated APAC fund. In the meanwhile, we continue to invest across the region to our existing fund.

EQT global platform
As we look ahead, we also see scope to continue to grow EQT’s Global Platform through specialisation when it comes to sectors and/or regions, like we do now with the longer-hold strategy.

M&A opportunities
Finally, as mentioned in our first-half update, we continue to evaluate various M&A opportunities, but the bar continues to be high both when it comes to cultural as well as a strategic fit. Situations we’re currently reviewing would be more add-on like to complement our presence in certain sectors or strategies. Next slide, please.
**Revision of the lock-up structure**

Next, I will share some background on the decision to revise and extend our lock-up structure and the placing of shares that partners did in early September. Given EQT’s strong performance since the IPO, the original lock-up structure had become obsolete, and we faced a few challenges which we set out to proactively address. EQT AB’s share was up over five times since the IPO, and the amounts that were due to be released in 2022 had become far too large for the market to absorb. Broadly speaking, what used to be a €1 billion in released shares in September 2022 had become a €5 billion releases. The lock-up expiries were scheduled for September 2022, 2023 and 2024, i.e., effectively more than €20 billion in releases over 12-24 months’ timeframe. That we saw was not something that we could actually execute on. In addition, we had no right to coordinate any partner share sales after 2023. So, in short, this was not a prudent structure anymore.

**Freeing-up of capital and changing of the structure**

Furthermore, with fundraising being well ahead of plan at the IPO, we saw the need to free-up capital, especially for some of our more junior partners to invest in the EQT Fund. The investment thresholds are all expected and required to have significant investments in the EQT funds, which starts to strengthen the alignment with our client. The EQT share was also relatively liquid, and by releasing shares, EQT had the opportunity to diversify the ownership and improve liquidity somewhat. All in all, there was a need to change the structure but also an opportunity to do it in a way that could benefit all of our stakeholders. Next slide, please.

Let’s have a look at the new versus the old structure. The revised structure nearly doubles the lock-up duration. To put this in perspective, a normal IPO lock-up in Sweden is six to twelve months. Already, at the IPO we set a longer structure, three to five years given the importance of our people. This was the longest lock-up ever in Sweden at that point in time. Now, we have extended the structure to end in 2026 for some partners and for the most senior partners in 2028, almost ten years post-IPO.

This structure is very much aligned with EQT’s very long-term approach and mindset. The revision included the release of less than half the shares, which would have been otherwise released in 2022. The remaining portion of the original 2022 release was moved into 2023. In addition, the selling parties have committed to reinvest at least half of the net proceeds from the sale into EQT funds. This was not the case in the original lock-up process.

On average, the partners sold about 11% of their holding and still retain about 83% of the shares held prior to the IPO in 2019. So, to sum it up, longer lock-ups, pro-long coordination, improved stock liquidity and increased customer alignment to increase fund investments. Those are basically the four components that we believe that we have achieved.

**A financial review**

As you will have seen, the Swedish FSA is reviewing whether EQT should have disclosed information in relation to the contemplated lock-up revision differently. In our opinion, EQT has acted correctly, and we took expert legal advice throughout the entire process. We, therefore, welcome the review, and we are responding to any questions that the SFSA may have. To the extent the SFSA would come to the conclusion that we have – should have acted differently, we will learn from it, but we will not comment further on this topic today.
and while the investigation is ongoing, we will, of course, provide further updates if and when appropriate. And with that I hand over the Olof.

**Investment Activity**

Olof Svensson  
_Head of Shareholder Relations, EQT_

**Olof Svensson:** Thank you, Caspar. Both exit and investment activity continued the strong trend from Q2. Notable investments included Parexel by EQT IX and Covanta, Meine Radiologie, Blikk and EdgeConneX by Infra V. This means deployment continued at a good pace. EQT IX is now 65-70% invested, and Infra V is 60-65% invested. We will increasingly focus on creating co-investor opportunities for our clients. We expect this to reduce the equity needs for new investments and, all else equal, thereby also the near-term deployment pace of the key funds.

**Exits**

In terms of exits, a number of material exits were announced across funds. Notably, EQT VIII announced the sale of Igenomix to Vitrolife and the partial exit of Azelis. Furthermore, EQT VII realised more of its holding in Certara and EQT Infrastructure III sold Delta V. Next slide, please.

**Upgraded expectations for EQT VIII**

EQT VIII has a strong portfolio, and we see the current growth MOIC at 2.6 times. We have therefore upgraded the expectation for EQT VIII to perform above plan. This means we expect the fund to deliver a gross MOIC of more than two and a half times. Furthermore, EQT VIII has had four exits, of which two are partial, and the fund has been active for over three years. Our rule-of-thumb criteria for when we typically expect to recognise carry in our accounting has thereby been met. Note, however, that the fund is relatively early in its lifecycle. Two of the four exits are IPO’s where the fund maintains meaningful holdings. It will take several years for EQT VIII to realise all its holdings, and the valuation of the unrealised portfolio will naturally be affected by broader market conditions. EQT VII and Infra III both continue to develop above plan.

**Valuations**

While value creation is developing well across all key funds, valuations are also supported by public-market benchmarks which remain at high levels. To the extent we were to see material market correction, our fund valuations may be impacted as well.

So in summary, we see strong fund valuations and a continued active exit agenda. And with that, I will hand over to Kim.
Financial Highlights

Kim Henriksson
Chief Financial Officer

Kim Henriksson (CFO): Thank you. Thank you, Olof and good morning, everyone. And let’s start by having a quick look at the development of our assets under management. AUM was broadly stable in Q3 compared to Q2. As you know, the AUM base in older funds is reduced with the cost of investments as the fund exits holdings. So we saw €2.4 billion of exits closed during the quarter, which resulted in a small decrease in AUM compared to Q2. And as we look ahead, some of the previously announced but not yet closed exits will impact AUM in Q4 and Q1 next year.

The step down in Q3 is mainly related to midmarket Europe being fully invested and thus ending that commitment period.

Inflows

In terms of inflows, fundraising is developing according to plan. In Q3 we had inflows mainly from ongoing fundraisings in EQT growth, in Infrastructure V and in Exeter. AUM growth is expected to accelerate again during 2022 based on the various upcoming fundraises which Christian and Caspar outlined earlier. Next slide, please.

Future-proofing EQT

In order to continue to future-proof EQT, we will be hiring more people in areas such as client relations and capital raising, in tech and in fund operations, but also across EQT’s investment strategies. In Q3, we added another 85 FTE’s, and we have a large number of people expected to join in Q4 and H1 next year as well. And all of this is in order to ensure that we have the resources to deliver on EQT’s high activity level and also due to some catching up with the hiring force we had in place during the early parts of the pandemic. So far this year, we have added over 400 people, of which about 230 joined us from Exeter. Today, approximately 260 of the total FTE+ base are Exeter, and together with EQT’s existing real estate business, now makes up almost 300 persons.

A unique operating model

The relatively large number of people supports the unique operating model of EQT Exeter which does its own in-house leasing and on-the-ground deal-making. And, therefore, helps drive the top rental performance of EQT Exeter’s Funds. Next slide, please.

Financial targets

A few comments on our financial targets, starting with the EBITDA margin. The 69% margin we reported in H1 was partly inflated by the retroactive fees, representing some three percentage points of the margin, as mentioned in our H1 report. As we look ahead, our long-term target which should be seen across the fund cycle, of 55-65% continues to be valid and also in light of us continuing to hire to support the growth.

Significant OpEx investments

As I just mentioned, we are currently making and will continue to make significant OpEx investments in our platform. We have previously said that we expect to grow net FTE’s by approximately 100 persons per year. As said, we added 85 FTE’s in this quarter alone, and
the cost will naturally only apply to the time period from when they joined, so there will be an uplift already this year, but the full effect only in next year’s numbers. And based on the current hiring phase, we will have a meaningfully higher number of people joining us also next year. We expect thereafter to be adding well above the net 100 people on a yearly basis as we grow from a larger base. The cost per FTE may, over time, also increase a bit as we grow globally.

The current market environment
Fund valuations are strong, partly supported by a generally high valuation level in the market and we continue to drive exits. Should this market environment remain, we may continue to see further carry recognition this year. As Olof mentioned, EQT VIII is now meeting the rule-of-thumb criteria we have set for carry recognition. The fund is performing above plan with a valuation of 2.6 times, and the fund has already seen four exits, of which two are partial. Conversely, we are monitoring the potential implications of inflation and potentially higher interest rates, as well as the impact on the world economy and on general valuation levels from factors such as higher energy prices and constrained supply chains. And with that, I would like to open up for questions.

Q&A

Operator: Thank you. If you do wish to ask a question, please dial zero one on your telephone keypads now to enter the queue. Once your name is announced, you can ask your question. If you find it is answered before it is your turn to speak, you can dial zero two to cancel. There will just be a brief pause while any questions are being registered. Our first question comes from the line of Ermin Keric from Carnegie. Please go ahead.

Ermin Keric (Carnegie): Good morning, and thanks for taking the questions. First, a few questions on the EQT Future Fund. Will that now include Anticimex and be activated basically from today? Because you mentioned that you are about to start fundraising of it. And then also if you could talk a bit more about the target size of the holdings you are looking for. Is it possible to recycle capital? What fee structure should we expect apart from investor capital. Is it still the same fee level? And you mentioned that the carry structure is a bit different. Could you elaborate a bit on that? Thank you.

Christian Sinding: Thanks for the question. I will leave Kim to handle the timing of Anticimex and the structure. As we mentioned, the fees will be on invested capital. That means that as capital is deployed into the companies and the portfolio, we expect, say around ten companies to be in that portfolio. Management fees will then be charged from that point in time.

The carry structure, given it is a very long-term fund, we are looking to make substantial capital gains, the target multiple invested cost will be around three and a half times the money over an eight to ten-year time period. And in order to align the best we can with our clients, we set a carry structure or a carry percentage which is a little bit lower than a normal equity and infrastructure value and funds. The size of the investments, given that the target is 4 billion, we have not yet set a hard cap, and we are going to have around ten companies in the portfolio. The average equity will then give itself at around 400 million, but we are
looking to do somewhat large investments in this fund as well like Anticimex, so we expect significant co-investments as well in the strategy. So, I think that covers a number of the questions. Kim, do you want to comment on timing of –

**Kim Henriksson:** Yes. The Future Fund will start charging management fees when Anticimex is closed, which should do shortly but has not done as of yet. And then, as Chris mentioned, it is on invested capital, so it will ramp up from there rather than start immediately at the full fund size.

**Ermin Keric:** Got it. Thank you. And then I suppose this is relevant for several of the funds. You mentioned that you are looking to do more co-investments. How do you think about that philosophically? I suppose the clients are not paid for that service; they get more exposures than they kind of directly pay for. Does that create any conflict of interest between other LPs that aren’t allowed to do the co-investments, and also does this require you to basically come up with more ideas to still deploy all the capital?

**Christian Sinding:** Thanks for the question. We at EQT and the market has been doing co-investments with our clients since the beginning actually, and the way that we think about it from the EQT side is that it facilitates actually a better portfolio construction. So if we do a deal that is maybe 20% of the fund, but we would like to allocate only 10% of the fund in that deal, we will bring our clients into the transaction to get that better portfolio construction.

From the client’s side, it gives them an ability to allocate capital to certain themes or certain sectors or certain companies that they particularly like. When it comes to fees, most of the co-investments we do are not fee-generating, but there are some that are. It depends a bit on the investment strategy and the situation itself, but that is a case-by-case type of structure. So, from a conflict-of-interest point of view, we do not really see that because we have a very open and transparent process to offer co-investments to our clients. And yes, like I said, we have been managing that for a long time, and we have people internally in our capital raising team who are responsible for making sure it is handled in a good way. Anything else?

**Ermin Keric:** Just one last question, perhaps if I may? On the M&A side, you mentioned that you are actively looking for additions. Obviously, EQT has been growing quite rapidly. You are approaching 1100 at least now. Do you see any challenges with maintaining your culture, which at least from the outside appears to have been a big key driver to delivering the performance you have in – ever since EQT was founded basically?

**Christian Sinding:** Yeah. That is incredibly important, and as you heard Caspar comment on as well, there are really two criteria we look at when we are growing and expanding, both when we are hiring individuals but also when we are looking at M&A, and that is strategy and culture. And culture obviously being ultimately the most important, and why, after quite a long time, we found EQT Exeter as kind of the first significant move that we have made, but as a very similar value base and culture as ours.

So what we do is, without going into too much detail, we really build values and culture into everything we do, every hiring situation, every promotion situation, every time there’s a leaving situation, coaching on the ground at EQT. Everything is really related to that. So even if we are growing quickly, our whole machinery is set up to make sure that we continue to build on our values and culture, which is at the core of EQT, and that is, I would say, if I
EQT AB Quarter Three 2021 Conference Call  
Wednesday 20th October 2021

turn it around what is our limitation to growth. It is not necessarily the market potential, because as you know, the private markets industry is growing rapidly and is quite large. But it is rather making sure that we get the people in the organisation right. So a lot of effort is going into that, and that will continue.

**Ermin Keric:** That is super-helpful. Thanks for taking the questions.

**Christian Sinding:** Thank you.

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

**Hubert Lam (Bank of America):** Hi guys. A couple of questions from me. Firstly, can you give us an update on how the X environment possibly has changed over the last month given the greater market volatility, and has there been a difference between the IPO market and, say the trade sales? And I guess the other question based on that is, any guidance you can give us on performance fees in the second half of the year?

**Christian Sinding:** Yeah. I will comment on exits. Yeah, there has been – actually throughout this year there have been pockets of volatility and now also during the past four to six weeks. There are some more uncertainties in the global economy with energy prices spiking and problems with large property companies in China, possible inflationary tendencies, etc. So, of course, we are quite wary about that. But if you look at our exit performance and the companies we have taken public recently like through the – like Azelis, those are performing well, and I think they are doing so because we have, with our investment strategy, which is quite thematic, quite long-term, following these secular trends in society, those companies have quite a good potential; and when we are doing IPO’s, we also want to make sure that we set up the company to perform and that we have a good and positive aftermarket.

So overall, I think the exit market actually will continue to be quite strong. There’s a lot of capital out there. Interest rates overall remain quite low, and our strategic buyers, financial buyers, IPO opportunities and family-owned companies that are interested and continue to grow and develop. But having said all that, there is more uncertainty and of course, when there is, that might mean that some actions are either postponed or stopped.

**Kim Henriksson:** Maybe I should comment on the carry part. As before, we are not giving numerical guidance on our carry timing. I think that the way we look at it is always over the life of a fund, and I think thereby the important thing is what kind of growth mark we are expecting over the life of the fund. Having said that, as we mentioned already here in the formal part of the speech, there are some important funds that have not met our rule-of-thumb and therefore, should the markets continue as they are, we would be in carry recognition mode. So, I will stop there for the time being.

**Hubert Lam:** Great. Thank you.

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

**Mike Warner (UBS):** Thank you. Two questions and kind of maybe follow-ups with regards to EQT Future. First, in terms of sourcing your acquisitions, obviously, Anticimex is coming from your existing fund range. Do you plan – how do you think about the optimal mix in
terms of potentially sourcing external investment ideas versus those sourced internally from existing EQT investments?

And then second, I think the longer-hold strategy absolutely makes a lot of sense. We have been seeing some other private market firms increasing their exposure to more permanent capital vehicles; and I was just wondering your thoughts on permanent capital vehicles and how that could or could not potentially fit into EQT’s long-term strategy. Thank you.

**Christian Sinding:** Yes. Very good questions. Thank you. On the sourcing side, we plan for EQT Future to utilise EQT’s global network. We are in 23 or 24 countries now. The future team is really integrated into the total private capital team, so it has a lot of resources and benefits both ways. So by far, the majority of companies will be sourced externally. Now we have the first one being sourced internally with the last investment in that fund and a company which we believe we can really help to transform over the coming eight to ten years. Actually, not only the company but also that whole industry and making it much more sustainable and future-proofed. So that is a unique situation and is one of the few ways that we will once in a while continue to hold an investment for the long-term to run with the winners, to make sure that we continue driving value creation for a longer period of time.

When it comes to permanent capital, I am looking to Caspar. Do you want to reflect a little bit on our discussions there?

**Caspar Callerström:** Well, yeah sure. I think the – I mean there are of course, some so-called permanent capital vehicles out there. I think it is more common on the real estate side and we also have it on the real estate side in terms of – it is basically what we have called more managed accounts. So it is in the indefinite in terms of time. But it is not permanent capital as such because you still have a client that can take the capital back. So I think that it is suitable in certain situations and in certain areas, but I think maybe, in my opinion, it is a little bit exaggerated. It sounds greater with permanent capital, but I do not know how permanent it is, so to speak. So I think we are obviously looking into what we can do and what makes sense to us, but it is – and there will be more growth in this for us as well, but I do not think we – we do not put form over substance.

**Christian Sinding:** Thanks, Caspar. The other thing I can mention is when we are going inform further about infrastructure core over the coming months, that is going to be a –, a significant longer strategy than even EQT Future. But permanent capital, you just heard our internal debate. We are here to really create value and drive long-term returns for our clients and we do that in strategies that have an active ownership element to it. And therefore, we are not planning either to have any kind of passive products that are just there on the balance sheet.

**Mike Warner:** Thanks guys. Appreciate it.

**Operator:** Just as a final reminder, if you do wish to ask a question, please dial zero one your telephone keypads now. Our next question comes from the line of Maths Liljedahl from SEB. Please go ahead.

**Maths Liljedahl (SEB):** Yes, good morning and thank you. I believe most questions have been answered here. But perhaps you could shed some light on the Exeter industrial core
plus Fund IV. If you can shed anything on the size, timing we have that you are starting it now, but if we could get more details on that, it would be helpful. Thanks.

**Christian Sinding:** Do you want to start a little bit on – maybe talk a little bit about Exeter’s multiple different strategies.

**Kim Henriksson:** Yes, I mean what we can say is, of course, on Exeter we have a number of products. So – and you can say you split them into value add and core or core plus, and we do that on the industrial side, and we do that on the office side, and there will probably be other industry verticals within real estate that we will also explore. And this also then applies to US as well as Europe. So it is a different type of fund setup for Exeter, with in terms of each individual fund will be inherently much smaller than on the equity side as an example. So I do not think we have communicated the target sizes of these funds, and I do not think we will either. But individual funds as such are not very big, but I think, overall, we are pretty happy with the development that we have on the fundraising side in Exeter and it continues to develop, well in line with our plan.

**Christian Sinding:** Also, the underlying Exeter funds are performing very strongly.

**Maths Liljedahl:** So overall, we are talking 5 billion or more like size than I mean the EQT X size at least?

**Kim Henriksson:** Yes. I would say even smaller than that. I think, yes, EQT still has not had funds that are bigger than €2-€2.5 billion I think are the maximum size that we have seen. And it is not that they will never be bigger, but I think it is the way we cut that market and slice and dice it quite specifically and also a fairly rapid deployment period. They will not be huge funds. That is not how they are constructed to be.

**Maths Liljedahl:** Okay. Thank you.

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

**Bruce Hamilton (Morgan Stanley):** Hi. Morning guys and thanks for the presentation. Just two questions from me. On the high net worths or retail opportunity, obviously the last flagship Infra III funds, you had a kind of modest allocation. But how should we think about that going forward as you move to raise your next flagship funds and new strategies? Or is there just so much demand from institutional clients that it is kind of not a priority for the near term?

And then secondly, just on fund sizes, I think you alluded to scope to raise new flagships that were, say, a bit bigger. I mean, should we look at the sort of historic step up in fund sizes? So I think the last one was what, 45% bigger for PE and 65% for Infra. Or given the already fairly substantial size of those, I presume it should fade out a bit, but I just wonder how we should think about that. Thank you.

**Christian Sinding:** Thanks, Chris. First of all, on retail private wealth, we have now a team internally that is responsible for that. And a partner, Peter Beske Nielsen, who is building up our capabilities and strengthening it. So with both an EQT IX and Infra V we have increased the total capital that is coming from that channel. The same we are seeing an EQT growth, which is great.
In the next fund generations, we are going to continue to increase, and it is coming from several sources. One is the private bank network. Also the digital channels are growing, and of course, we have our own overall industrial adviser network around the world. So, this is something that is going to continue to increase. We have not set a target publicly yet, but it is a significant initiative, and we are making, I would say, good progress to build our presence in those channels. What we are not going to do though is, there are certain ways to create a product that is more suited to a retail channel, we think about it differently. We are working to create products where we can really perform very, very well for our clients and we'll make sure that those products are also able to be sold through the retail channel the appropriate way.

And then maybe on fund size, I give the word to Caspar.

**Caspar Callerström:** Yes, and maybe also the comment because I think we did comment on the Infra VI and the high-net-worth share, and we said that it is not insignificant. I think it is high single digits in terms of percentage of the fund size. I expect that over time to maybe increase, but it is not going to overtake anywhere, nowhere near the institutional capital. But it is going to be a growing part for sure.

When it comes to the fund sizes, I think it’s too early to tell, but I think it is a little bit dangerous to start thinking about percentage increases. I think between eight and nine we started talking about, you should not really look at the percent increase between seven and eight. The more guidance is maybe more the absolutely terms increased between the fund sizes. We said them, and I think we have not concluded on size yet. But I would still say that probably the righter way to think about it rather than as a percentage increase.

**Bruce Hamilton:** Great. Thank you.

**Operator:** And the next question comes from the line of Tome Mills from Jefferies. Please go ahead.

**Tom Mills (Jefferies):** Hi, good morning. I was just looking at the pace of deployments that you have seen. Obviously, the level in 3Q was about 2X the average in 1Q and 2Q, and I just wondered how does the pipeline there look. And obviously, the investment period for EQT IX has been quite compressed as we’re seeing elsewhere in the industry, but do you feel like in the nearer term that the ability to deploy at this kind of rate could continue into your new flagship buyout launch? Thank you.

**Christian Sinding:** Thanks for the question. The private equity or the private market industry is – it is not a liquid flow. It is really dependent on a lot of work for a very long time in sectors and geographies to unlock transactions. So the pace of deployment that is now there is partly of course, because of mortgage conditions being really good. That is partly a result of also the way we work in our sector teams, and actually being the only private markets firm in the world that is local with locals in every country that we are investing in. And both of those enable us to both source deals but also manage companies in a good way.

Right now, you have seen we’ve a lot of exits, and that, of course, also gives more space to make new investments and add-on acquisitions. So having said that, the pace of deployment is the fastest in history. The last has been around two years, maybe a little bit more. Historically, since 1994, we have been investing on a three-year cycle, and I think we have
said before that when times are also good, like during the financial crisis, it might be a five-year cycle when they are particularly good, and we have the capacity as we do now to do deals, and it might come down even below three years. We still think about our investment strategies as the large ones – as still being on a three-year cycle.

When it comes to the short-term, I will not really comment on that directly, but of course, given that we have been successfully investing both the flagship funds now, relatively rapidly we are highly selective in the next transactions that we are investing into. We are always selective but even particularly selective now.

**Tom Mills:** That is helpful. Thanks very much.

**Operator:** And we have one more question from the line of JC Herman from iA Capital Markets. Please go ahead.

**JC Herman (iA Capital Markets):** Good morning. With EQT owning in First Group in North America and First Group being a major supplier to the oil companies and the tar sands in northern Canada, is there further investment and development coming from EQT for the tar sands? And is it part of EQT’s environmental strategy going forward? Thank you.

**Christian Sinding:** Actually, I do not know exactly how to answer that question. I do not recognise the company, and we are not involved in that sector at all actually. Well, we own one company in –

**Caspar Callerström:** But we are talking First group. Is not that the public transport. That is the yellow buses.

**Christian Sinding:** That is the yellow buses. Okay, could you repeat because I thought actually, we are referring to something totally different. Could you repeat the question if it is related to the – is it related to the school buses in the US?

**JC Herman:** Well, my understanding was EQT had been a major supplier to the oil companies and the tar sands in Northern Canada. Is that correct?

**Christian Sinding:** Yeah, I think you might be thinking about EQT Corporation, which is an American Company in the oil space. We are a Scandinavian Private Markets Firm, so we do not have involvement with that. But under the name of First Buses, we do own the largest school bus company in North America, which actually is on a really interesting transformation journey where I think the deal is closing pretty soon, and our plan is to convert those buses to more sustainable energy, let us say in electric vehicles, most likely possibly hydrogen which will be safer and healthier for the environment. So that is the only thing I can comment on. Otherwise, we have no activity in tar sands or anything like that.

**JC Herman:** Okay. Fair enough. Thank you very much.

**Christian Sinding:** Thank you.

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

**Christian Sinding:** Thank you very much, everyone, for participating today and thank you for, as always, excellent questions. We appreciate that. It makes it more dynamic, and we wish you a great day. Thank you.
Caspar Callerström: Thanks, everyone.

[END OF TRANSCRIPT]