EQT takes the next step on its strategic journey – joins forces with Baring Private Equity Asia, creating a scaled active ownership platform in Asia

EQT AB (publ) (“EQT”) has reached an agreement to acquire Baring Private Equity Asia (“BPEA”) (the “Transaction”), a leading private markets investment firm in Asia with EUR 17.7bn of assets under management (“AUM”).

Transaction highlights

- The combination with BPEA, a leading Pan-Asian private markets firm, provides a step-change to EQT’s presence in Asia, and ideally positions EQT to execute on the structural growth opportunity in Asian private markets
- Asian private markets are expected to grow at almost twice the rate of global private markets and investors are set to materially increase their private markets allocations in the region
- With an exceptional cultural fit, a strong performance track-record, aligned approach to thematic investing, and a commitment to accelerate digitalization and sustainability, the combination provides an opportunity to leverage the strengths of both organizations to create one of the leading players in active ownership in Asia
- Following the combination, EQT will be local-withlocals in 25 countries, representing ~80% of global GDP, thereby creating a truly global platform poised to expand EQT’s active ownership strategies across its core markets
- The combined Asian Private Capital business will be rebranded as BPEA EQT Asia and will continue to be led by BPEA CEO Jean Eric Salata and BPEA’s senior management team
- Total consideration of EUR 6.8bn, consisting of 191.2m new ordinary EQT shares, valued at EUR 5.3bn, plus EUR 1.5bn in cash
- The combination is expected to be immediately high single digit accretive to EQT’s EPS

Expanding in Asia is a strategic priority for EQT, as the region accounts for more than a third of global GDP today and is expected to contribute 40%+ of global GDP growth by 2030\(^1\). With 24% CAGR since 2015 and reaching ~USD 2.1tn in 2021, Asia is the growth engine underpinning global private markets (compared to 14% CAGR for Europe and North America combined). This trend is expected to continue as Asian private markets benefit from favorable long-term structural tailwinds. Global private markets firms are increasingly taking share in the underpenetrated Asian private markets, but still only represent 34% of the total market. With this combination, EQT is ideally positioned to take market share in and capitalize on the Asian growth opportunity with its truly global reach and scaled active ownership platform in Asia.

BPEA is a top-3 private markets investment manager\(^2\) in Asia with EUR 17.7bn AUM, currently investing from its flagship Private Equity Fund VIII, which had its first close in September 2021. Operating since

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\(^1\) Source: Euromonitor

\(^2\) By AUM, excluding international private markets peers with presence in Asia
1997, BPEA has built a platform with deep sector-based expertise and a value-driven active ownership approach, investing in mid to large-cap companies in Asia, mainly focused on Private Equity, but also Real Estate and more recently Growth. With 10 regional offices, BPEA combines local execution with a Pan-Asian reach (236 FTE+ as of 2021), mirroring EQT’s local-with-locals approach. BPEA has made 100+ Private Equity investments since its inception and has a track-record of generating strong returns for its clients, with 2.6x realized gross MOIC since inception\(^3\). With its deep, long-standing relationships with 300+ clients and best-in-class fundraising ability, BPEA is well positioned to capitalize on the outsized Asian growth opportunity.

The combination represents a step-change in EQT’s global reach with immediate Pan-Asia presence at scale and with its thematic investment approach, supporting companies from early stage to maturity, EQT will continue to scale and expand its range of strategies across its European, North American, and Asian core markets and deliver for its clients.

**Strategic rationale**

- **Transformative to EQT’s presence in Asia:** Expansion into Asia was one of EQT’s key strategic objectives set out at the time of its IPO. BPEA is the perfect partner and will create a step-change for EQT in Asia
- **Creates a global leader in active ownership strategies:** EQT will become a top 3-player\(^4\) in active ownership strategies globally, and with a scaled Asian platform, EQT now has truly global reach
- **Strong performance track-record:** BPEA’s success and scale is reflected through its AUM growth at 25% CAGR (2019-2021) and an outstanding 2.6x realized gross MOIC since inception\(^5\)
- **Exceptional cultural fit:** BPEA’s corporate culture is aligned with EQT’s core values: high-performing, respectful, entrepreneurial, informal, and transparent. Both firms have grown through a local-with-locals approach, with decentralized decision making and a deep drive to learn and continuously improve
- **Similar ambitions and approach to future-proofing and value creation:** Utilize EQT’s Digitalization, Sustainability and thematic investing toolboxes will accelerate the value creation opportunity in Asia
- **Turbo-charges Real Estate growth in Asia:** BPEA Real Estate further extends EQT Exeter’s on-the-ground footprint in Asia and positions the platform to continue to scale its business in the region
- **Clearly identified value creation opportunities:** Leverage the combined platform and BPEA and EQT’s strong brands to rapidly scale Private Equity, and over time launch EQT’s other Private Capital strategies in Asia (e.g., Public Value, Ventures, Life Sciences and Future)
- **Broader client access:** BPEA brings a wide range of high-quality client relationships to the EQT platform, with over 300 existing clients, of which 100+ are new clients for EQT
- **Highly strategic combination, while being immediately accretive:** The Transaction is expected to be immediately high single digit accretive to EQT’s EPS

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\(^3\) Since inception defined as the timing of creation of the independent firm (from Fund III and onwards)  
\(^4\) Source: Preqin, Pitchbook, Desk research. Based on fee-paying capital raised for funds closed in 2017 or later (excluding funds closed prior to 2017 and passive funds)  
\(^5\) Since inception defined as the timing of creation of the independent firm (from Fund III and onwards)
Christian Sinding, CEO and Managing Partner of EQT:

“We are very excited to join forces with BPEA, which represents a step-change in our global reach with immediate Pan-Asian presence at scale. Expanding our footprint in Asia is part of the strategic objectives we set out at the time of our IPO, and BPEA represents a unique opportunity, as a well-established and top-performing firm in the region, to enhance our global platform and position us to capitalize on the structural growth opportunity in Asian private markets. With its thematic sector-based approach, strong track-record in value creation, and most importantly, a learning culture and long-term partnership approach, we feel deeply aligned with BPEA. We are truly impressed by what Jean and the BPEA team have built over the past 25 years. A perfect cultural and ideological fit with EQT, and a unique opportunity to establish EQT as a world-leading private markets platform with a scaled Asian platform and truly global reach.”

Jean Eric Salata, CEO and Founder of BPEA:

“We are thrilled to embark on this journey with EQT and by the possibilities that this combination creates. It is a game-changer for both our firms and will accelerate our ability to deliver superior returns for our clients. The cultural fit between our two firms is remarkable and the strategic fit is very powerful. Combining our strong position in Asia with EQT’s world-class capabilities in sectors, such as Healthcare and Technology, their proprietary digital transformation and data analytics resources, and their leadership in sustainability, will create a highly differentiated and extremely competitive private markets firm in Asia and globally. The future of Private Equity is about the ability to truly transform companies through active ownership strategies that deliver superior returns to clients throughout the cycle, regardless of the external environment. This combination positions us extraordinarily well to do exactly that at an industry leading-level.”

Organizational set-up and governance

EQT Private Capital will have two divisions post-Transaction – BPEA EQT Asia, comprising the combined BPEA Private Equity and EQT APAC Private Equity teams, and EQT Private Capital Europe & North America. Over time, BPEA EQT Asia is expected to provide the full suite of Private Capital strategies, from Ventures through Future, similar to what EQT Private Capital Europe & North America offers today. Mr. Salata will become Head of BPEA EQT Asia and will oversee EQT’s Private Capital business in Asia, reporting directly to Christian Sinding. Mr. Salata will also join EQT’s Executive Committee.

BPEA’s Real Estate business will be integrated into EQT Exeter, operating as one global platform. Since the acquisition of the Exeter Property Group in April 2021, EQT Exeter has been growing globally, including into Asia through the acquisition of Bear Logi in January 2022. The combination with BPEA Real Estate will significantly enhance EQT Exeter’s local presence across the region.

EQT Infrastructure will continue to operate on a global basis (including Asia) but is expected to benefit from BPEA’s strong local footprint to generate increased deal flow.

The combined EQT footprint in Asia will consist of more than 300 FTE+ across 9 regional offices, creating a large-scale Pan-Asian platform. EQT will have more than EUR 20bn of invested AUM in Asia across Private Capital and Real Assets.
Key transaction details

- EQT will acquire 100% of the BPEA management company, the BPEA general partner entities which control the BPEA funds, and the right to carried interest in selected existing funds (including 25% in BPEA Fund VI and 35% in BPEA Fund VII)
- EQT will invest in and be entitled to 35% of the carried interest in all future funds, starting with BPEA Fund VIII, in line with existing EQT policies
- Total consideration of EUR 6.8bn on a cash and debt free basis (with a normalized level of working capital), of which approximately EUR 5.3bn to be paid through the issue of 191.2m new EQT ordinary shares (corresponding to a dilution of approximately 16%), plus EUR 1.5bn in cash
- EQT has cash and facilities in place to fund the cash consideration. In addition, EQT may review long-term financing options
- The Transaction is subject to customary closing conditions, including anti-trust, regulatory approvals and certain BPEA fund investor consent approvals, as well as EQT majority shareholder approval at the Annual General Meeting ("AGM") in June 2022, granting the Board of Directors of EQT the authority to issue the consideration shares; major EQT shareholders representing in total more than 50% of EQT’s share capital have irrevocably committed to vote in favor of the share issue authorization
- The Transaction is expected to close in Q4 2022

Share consideration lock-up

Share consideration for Mr. Salata and other key members of BPEA’s management will be subject to customary lock-up provisions, consistent with those of current senior EQT partners (10% released in September 2023, the remaining shares are then released in equal annual instalments of 20% per year in September 2024, September 2025, September 2026, September 2027 and September 2028), while also including a share forfeiture mechanism. Share consideration for Affiliated Managers Group, Inc. ("AMG"), which owns 15% of BPEA, will have 75% of the EQT shares released at closing and 25% subject to a lock-up period of 180 days on the basis of a customary lock-up agreement for an institutional investor.

Selected financial information for BPEA⁶

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<td>EBITDA margin (%)</td>
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<td>57%</td>
<td>67%</td>
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⁶ USD/EUR exchange rate as of each year end for AUM and as an average of the calendar year for income statement figures. Financial information includes BPEA Credit
Standalone, and subject to the ongoing fundraisings, BPEA fee-generating AUM is expected to be at EUR 20bn at year-end 2022, generating EUR 350-375m in management fees during 2022.

Advisers

Morgan Stanley & Co. International plc is acting as financial adviser to EQT in relation to the Transaction, while Kirkland & Ellis International LLP and Vinge are acting as legal counsel. J.P. Morgan and Goldman Sachs are joint lead advisers to BPEA, and Simpson Thacher & Bartlett LLP, Paul, Weiss, Rifkind, Wharton & Garrison LLP and Mannheimer Swartling are acting as legal counsel to BPEA and Mr. Salata.

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Presentation

Financial analysts and media are invited to participate in a conference call, including a presentation at 08:30 CET.

The presentation and a link to follow the webcast and conference call live can be found here and a recording will be available afterwards.

To participate by phone, please use the following dial-in details below, at least 10 minutes in advance.

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Confirmation code: 93509653#

This is information that EQT AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07:30 CET on 16 March 2022.

This press release contains forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond EQT’s control, which may cause actual results to differ significantly from those expressed in any forward-looking
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Morgan Stanley & Co. International plc (“Morgan Stanley”), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively as financial adviser to EQT and no one else in connection with the Transaction. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to anyone other than EQT for providing the protections afforded to clients of Morgan Stanley nor for providing advice in connection with the Transaction, the contents of this announcement or any matter referred to herein.

About EQT

EQT is a purpose-driven global investment organization focused on active ownership strategies. With a Nordic heritage and a global mindset, EQT has a track record of almost three decades of delivering consistent and attractive returns across multiple geographies, sectors and strategies. Uniquely, EQT is the only large private markets firm in the world with investment strategies covering all phases of a business’ development, from start-up to maturity. EQT today has EUR 73.4 billion in assets under management across 28 active funds within two business segments – Private Capital and Real Assets.

With its roots in the Wallenberg family’s entrepreneurial mindset and philosophy of long-term ownership, EQT is guided by a set of strong values and a distinct corporate culture. EQT manages and advises funds and vehicles that invest across the world with the mission to future-proof companies, generate attractive returns and make a positive impact with everything EQT does.

The EQT AB Group comprises EQT AB (publ) and its direct and indirect subsidiaries, which include general partners and fund managers of EQT funds as well as entities advising EQT funds. EQT has offices in 23 countries across Europe, Asia-Pacific and the Americas and has approximately 1,200 employees.

More info: www.eqtgroup.com
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