



CAIS ALTERNATIVE INVESTMENT SUMMIT

Seeking to Create Value for Future Generations thru Private Equity

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Speaker

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Partner and Head of North American
Private Equity, EQT

Private Equity Industry – Historical Perspectives

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Private equity was originally a “cottage industry” with several small firms. Over the past few decades, the industry has grown and matured, and is now an important part of the economy, and key part of the portfolio for sophisticated investors

Industry Dynamics

1970s – mid 90s

- Cottage industry, few firms with >\$1bn funds; mainly US focused
- Strategy was to identify “mispriced assets” in stable sectors, generally with significant hard assets
- Raising debt financing for LBOs was a differentiating capability
- Minimum equity requirements to fund LBOs (10-20% equity of deal value)

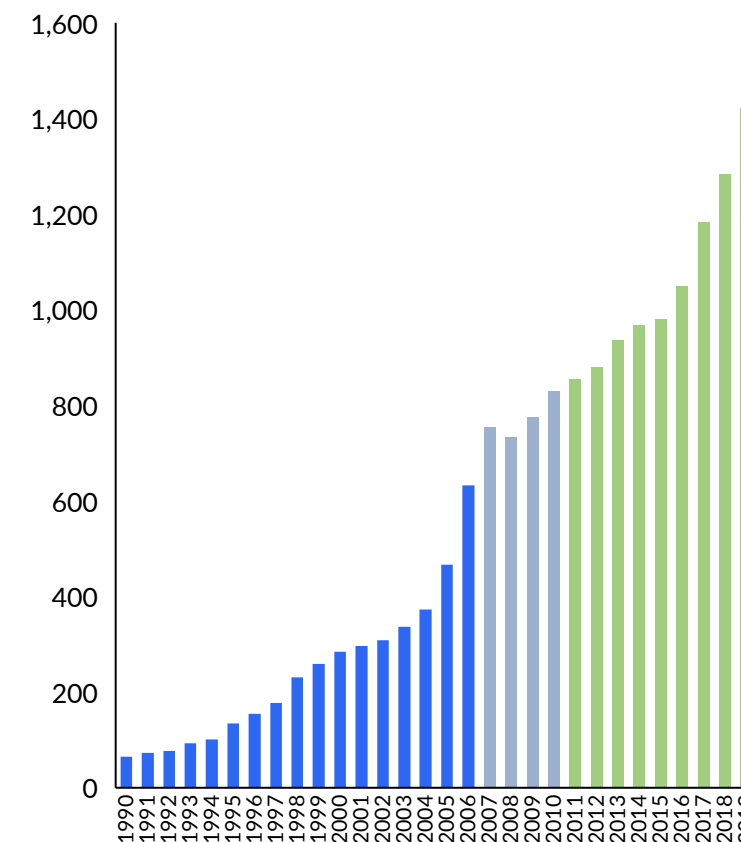
Mid 1990s to 2009

- Rapidly increasing number of market participants and larger fund sizes and deals
- Increased commoditization of raising debt executing an LBO
- Expansion in scope of target industries, including companies with no hard assets (i.e., software)
- Geographic expansion from US to Europe
- Increasing valuations and minimum equity requirements (25-40%)

2010 - Today

- Large global alternative asset management firms, many publicly traded
- High degree of specialization by industry sector, including single sector funds (i.e., tech)
- Significant increase in valuation multiples, and equity checks (50%+)
- Growing public awareness of PE, as well-known brands/companies are PE owned
- Increased focus on “value creation plans” during ownership period

U.S. Buyouts AUM¹ Over Time (\$bn)



Source: Morgan Stanley *Public to Private Equity in the US* report
1. Assets Under Management.

Historical Drivers of Alpha in Private Equity

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The industry has gotten more competitive over time, and prior tailwinds have gone away, so it requires a constant elevation of one's game to consistently create alpha

1

Identification of underpriced assets

Today: The industry is sufficiently deep and competitive, that it is difficult to find assets that are “misunderstood” by the market

2

Significant Financial Leverage in Cap Structure

Today: Equity as a % of purchase price is the highest it has ever been, so leverage is not as meaningful a contributor to return

3

Forced Illiquidity (prevents people from selling at wrong times)

Today: Still exists, but this is true for all PE-owned assets

4

Active Value Creation

Today: The only way to consistently drive alpha, but it requires a differentiated approach in a competitive market

PE Fund Outperformance vs. MSCI World Index per Vintage Year



Future Drivers of Alpha in Private Equity

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EQT has a tailored approach to thematic investing, governance, and value creation to generate alpha and repeatable success

1

Thematic Investing Approach

Prioritize mega trends with sector focus and geographic “know-how” to find investment opportunities

2

Active Governance Model

Set up highly collaborative independent boards filled with operating executives and ensure alignment of incentives

3

Structured Full Potential Blueprint

Utilize repeatable playbooks for future proofing businesses including digitalization and sustainability

Thematic investment strategy developed by overlaying investment purpose and prioritized mega trends with core sector focus and geographic “know how”



Investment Purpose, Vision and Mission



Mega Trends



Identifying
Themes

Attractive themes to invest behind
and **never** against



Applied Across Sectors,
and Geographies

Themes/trends complemented by sector and geographic focus
to create thematic hunting grounds and pipelines

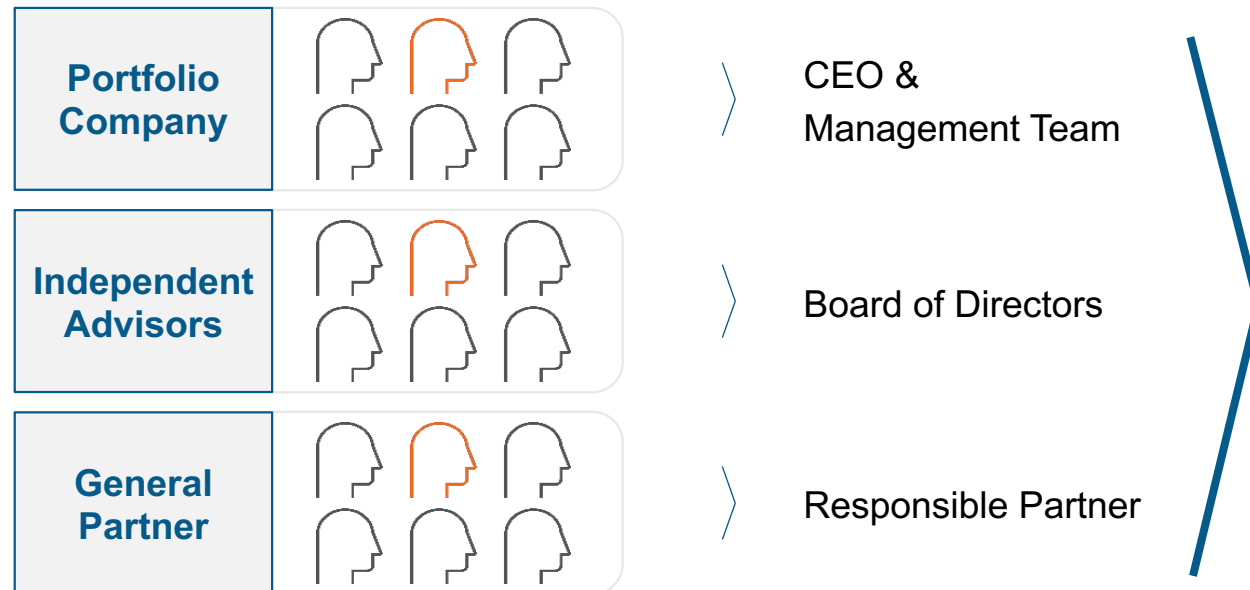


Thematic Investing

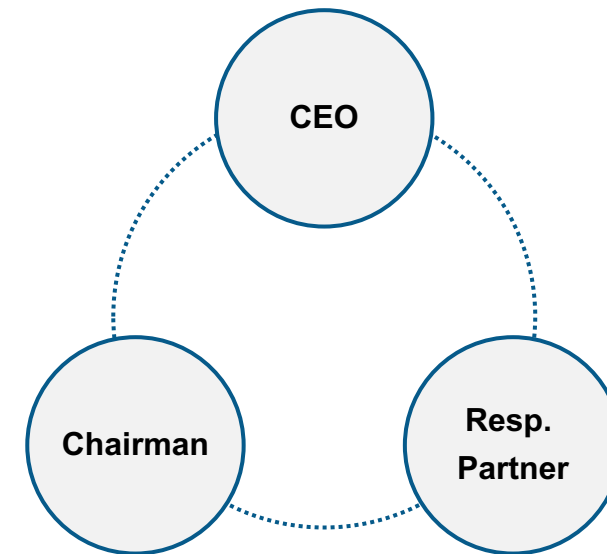
The combination of a long-term view, high conviction and active ownership enables one to future-proof investments to help solve some of society’s biggest challenges while benefiting from strong macro tailwinds

Distinctive governance model that ensures strong collaboration and alignment of incentives

Highly Collaborative – Alignment of Interests



Bi-Weekly Calls



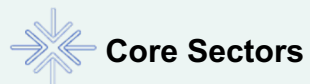
- ✓ Informality
- ✓ Fast decision-making

- ✓ CEO Empowerment
- ✓ More “free thinking”

- ✓ Increased information flow
- ✓ No politics

Comprehensive and coherent approach to value creation including sector playbooks, functional excellence tools and sustainability & digital

EQT House of Value Creation



Core Sectors



Healthcare



Industrial Tech



Services



TMT



Functional Excellence

Talent Management

G&A Fitness

Best-in-class Finance

Indirect Procurement

Crisis Management



Sustainability



Digitalization

“Sector Playbooks”
- thematic & tailored value-creation

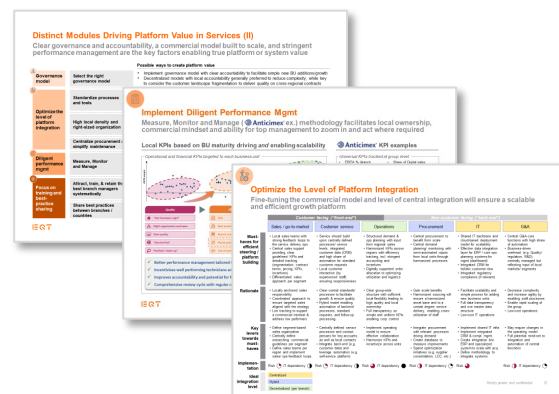
“Clusters of Excellence”
- no excuses!

Detailed playbooks created to leverage best practices and ensure repeatable success

Professionalization



Platform Value



Buy & Build



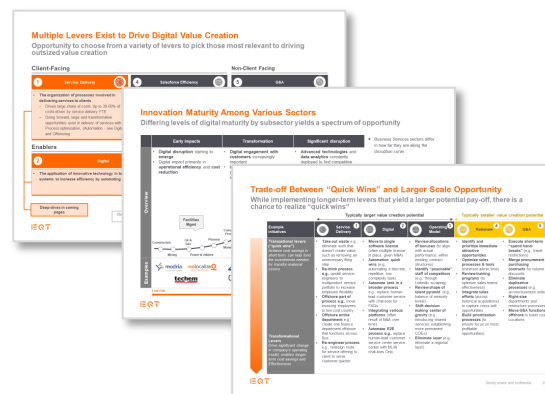
Buy & Build



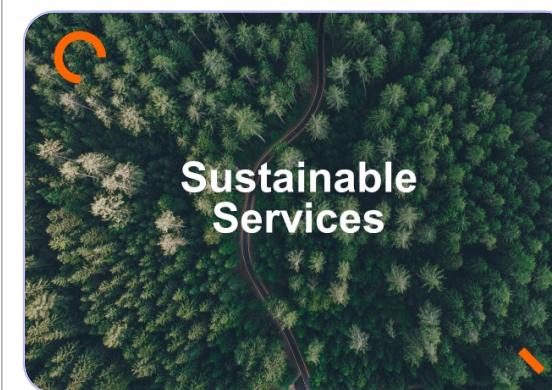
Digitalization



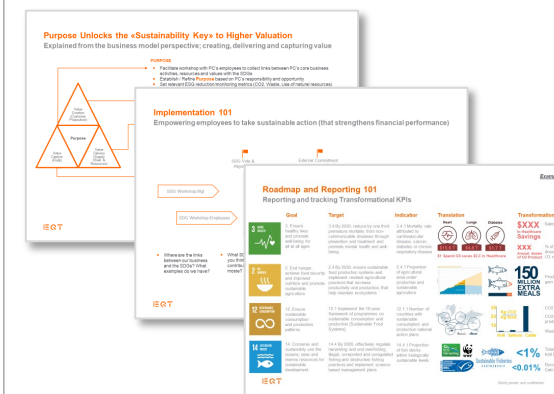
Tech-Enabled Transformations



Sustainability



Sustainable Services



Aldevron – Case Study

Leading supplier of high-quality plasmid DNA, mRNA and recombinant proteins¹

Acquisition \$3.4 billion TEV (Oct 2019) **Exit** \$9.6 billion TEV (August 2021)



Company overview

- Founded in 1998 by Michael Chambers and John Ballantyne at ND State University
- Partner to leading pharma / biotech companies and research institutions
- Operates the world's largest GMP plasmid DNA facility in Fargo, ND. Protein facility in Madison, WI
- ~600 employees in Fargo, ND and Madison, WI

Key financials at exit

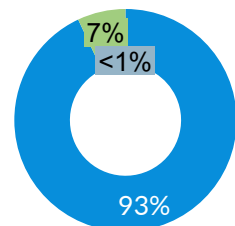
USD 370m

Sales²

USD 198m

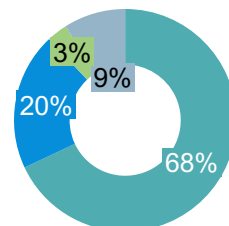
Adj. EBITDA²

Geographical split³



- North America
- EMEA
- Other

Segment split³

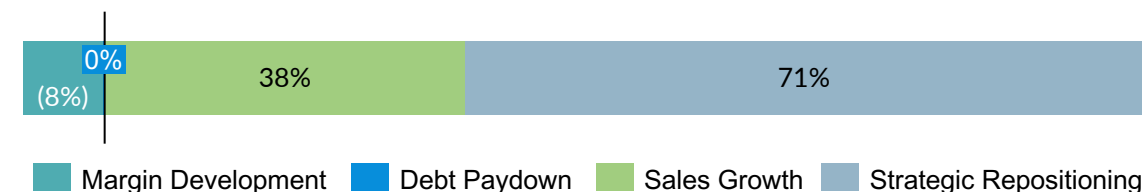


- Plasmid DNA for Cell & Gene Therapies
- Plasmid DNA for mRNA Manufacturing
- mRNA Manufacturing
- Proteins

Value creation initiatives

- Broadened and strengthened management team, incl. hiring a new CEO, CFO, Chief Commercial Officer, and EVP of Operations
- Completed the construction of a state-of-the-art 189,000 sq ft facility in Fargo – the largest GMP grade plasmid DNA facility in the world
- Divested non-core Antibody discovery business in Freiburg, Germany, and launched a new mRNA manufacturing service in 2021
- Made investments to professionalize internal processes and systems
- Manufactured plasmid DNA used to produce COVID-19 mRNA vaccines

Value creation sources⁴



Exit summary

- On June 17, 2021, EQT VIII signed a definitive agreement to sell 100% of its interests in Aldevron to Danaher Corporation (NYSE: DHR), for a Total Enterprise Value of USD 9.6bn. The transaction closed on August 30, 2021

1) Source: Bain & Company. 2) Based on CY2021 Budget. 3) Segment split based on CY2021 Budget and Geographical split based on CY2020 Actuals. 4) Based on performance between September 2019 and June 2021.



Thank you!

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