

Happily Ever After?

A Case Study of EQT's Acquisition and Integration of BPEA

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Abstract

The strategic M&A activity within the private equity industry is growing, yet there are significant challenges in integrating two highly capital intensive firms. The following paper examines EQT's acquisition of BPEA, a strategic cross-border private equity acquisition that has by the companies been regarded as successful. The paper aims to understand the rationale behind the decision, the challenges met, and the key factors contributing to the perceived success. Through a case study method, the thesis presents real-world insights that can be used as a best practice case for future similar acquisitions. The thesis employs a qualitative case study approach based on interviews with senior management from both BPEA and EQT, as well as published company information. Three key findings from the case study were found: (1) The acquisition enabled a rapid entry to the unpenetrated high-growth market in Asia, with the potential to gain a competitive advantage by acquiring professionals' local knowledge; (2) The firms managed the challenges of integrating a human capital intensive firm, with another national culture, through a collaborative integration and a decentralized business model, limiting the level of integration needed, (3): The high retention of employees was believed to be achieved due to good compatibility between the firms and an aligned strategic rationale, which enhanced the collaborative culture and the synergy extraction of the deal. We conclude that there were a lot of favorable circumstances that contributed to the perceived success of the acquisition even though it is, according to theory, a very challenging acquisition to conduct.

Keywords: Case Study, Private Equity, M&A, Human Capital, Asia

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Abbreviations

AUM Assets Under Management

BPEA Baring Private Equity Asia

EBITDA Earnings Before Interest, Taxes, Depreciation, and Amortization

EV Enterprise Value

GP General Partner

HCIF Human Capital Intensive Firm

IPO Initial Public Offering

LP Limited Partner

M&A Mergers and Acquisitions

PE Private Equity

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1. Introduction

"As a combined firm, we offer local experience and global capabilities – underlined by shared values – that put EQT in an even stronger position to capture the opportunity through our leading investment strategies across private equity, infrastructure, and real estate."

(Christian Sinding, CEO and Managing Partner of EQT, 18.10.22)

The quote above is from the completion of EQT's acquisition of BPEA in 2022, reflecting EQT's view of the acquisition and their joint future growth. As of today, two years after the transaction was completed, EQT is considered as the third largest private equity (PE) firm in the world (Private Equity International, 2024). PE has become an increasingly important player in the corporate landscape (Kaul, Nary & Singh, 2015). Private equity firms have historically used consolidation of the market as a strategy to create value in portfolio companies, but the consolidation trend has, up until recently, been absent in their own industry (Bain, 2023). However, the industry is growing fast, both in the number of competitors as well as in the size of the PE firms which is intensifying the competitive landscape, making scale increasingly important (Bain, 2023). The increased pressure by the public shareholders to grow assets under management (AUM) has, therefore, led public PE firms to conduct strategic acquisitions, as it could be a crucial method to accelerate their growth (Bain, 2023). Although the strategic mergers and acquisitions (M&A) activity is still somewhat limited in the industry, there is an upward trend of PE firms trying to make M&A work as a growth strategy (Bain, 2023).

Even though the benefits of M&A activity are becoming more apparent in the PE industry, there are challenges distinct to various other sectors. Previous literature of Chen and Chen (2012) highlights the complexity of acquiring and integrating a human capital intensive firm (HCIF), such as private equity, consulting, or law firms. Challenges include retaining and motivating the employees, in order to capture the full value of the acquisition. Conducting a cross-border acquisition furthermore implies difficulties of integrating different cultures into one aligned company. As EQT acquired BPEA mainly for the employees' knowledge and experience of another culture than their core business, the study will highlight the complexity of retaining and integrating this knowledge into EQT's existing platform and how they mitigated the challenges that arose.

1.1 Problem Formulation

As stated above, the PE industry has seen an increasing consolidation trend between PE firms to accelerate growth. The trend can be further investigated in the literature on the "buy, build, or partner" decision, which states that organizations can grow through M&A, internal development, or partnership (Ego, 2022). The observed trend of acquisitions as a growth strategy for PE firms poses further inquiries regarding what drives the decision to acquire another PE firm rather than internal development. Regarding EQT's acquisition of BPEA, it is interesting to understand the key drivers behind the decision to pursue an acquisition instead of growing organically, as they already had a small presence in Asia. Hence, the first research question is the following:

1. Why did EQT choose to expand in Asia, and what was the reason behind doing it inorganically through an acquisition of BPEA?

Furthermore, research states that M&A between PE firms, i.e. human capital intensive firms, are especially difficult to be subject to value creation (Chen & Chen, 2012). Consequently, the acquisition involved a cross-border integration, increasing the likelihood of challenges arising during the process. As EQT's acquisition of BPEA and its integration has been completed, we want to explore the specific challenges that EQT faced and the steps taken to mitigate these obstacles. Thus, the second research question is the following:

2. What challenges did EQT face during the acquisition process, and how were they mitigated?

Today, two years after the acquisition was completed, the firms view it as a success. They have achieved a combined firm with an aligned interest and a collaborative culture. As this is considered difficult to achieve, the last research question investigates what factors that have enabled the interpreted success of the acquisition. This prompts the last research question, which is the following:

3. What factors were found to have contributed to the perceived success of the acquisition?

1.2 Purpose and Contribution

This master's thesis has the purpose of providing real-world insights from a human capital intensive cross-border acquisition that can be used to inform and enhance decisions in future acquisitions of private equity firms. This includes examining what factors affect

a decision to acquire a company as a strategy to expand in a market and analyzing how EQT navigated the obstacles met. This will consequently result in an extraction of key findings of the determinants influencing the reported success of the acquisition.

The thesis aims to contribute to research with a best practice case of a human capital intensive cross-border acquisition. The limited number of strategic M&A activity in the PE industry has led to limited research within the area. Due to the fact that M&A between human capital intensive firms is very difficult and the realization of synergies is often overestimated, studying a successful acquisition should provide valuable insights. Moreover, as PE firms are increasingly interested in entering the high-growth PE market in Asia, the study illustrates a growth strategy to enter this market through an acquisition. In conclusion, by examining EQT's acquisition of BPEA, the case can contribute to the existing literature with new insights and a broader understanding of strategic acquisitions of PE firms.

1.3 Delimitation

The analysis of the acquisition is limited to our research questions and hence does not discuss some parts of the acquisition, such as the financial effects on the investment, the opinions of the portfolio companies, or the LPs' view of the acquisition, etc. Our thesis thus analyzes the rationale behind the decision to acquire, the challenges of the integration of the two companies, as well as the factors influencing the interpreted effective acquisition and its seamless integration. The thesis is delimited to analyzing events and decisions in the past and not aimed to draw conclusions regarding the long-term effects. Some additional challenges or value-creation might arise in the future, which will not be covered in this thesis.

1.4 Overview of Thesis Findings

The main findings of the thesis can be summarized into four conclusions. First, the reasoning behind EQT's "buy or build" decision is rooted in an immediate path to a high-potential market and considerable market experience. Second, the initial compatibility between the firms and the collaborative culture was essential for EQT to master the challenge of the complex integration between human capital intensive firms (HCIF). Third, the retention of key employees with market knowledge and incentive alignment between the two firms was crucial. Finally, EQT implemented a decentralized structure post-acquisition, implying BPEA could maintain its decision-making of its operations. Thus, the acquisition did not require a full integration, contributing to limiting the complications of combining two HCIFs.

1.5 Outline and Structure of Thesis

The thesis will be structured into seven sections. The first section is an introduction that introduces the reader to the topic of the thesis. Following the introduction, the literature review will be presented in section two, which examines existing literature within our research area. The methodological considerations will be outlined and discussed in section three. The fourth section aims to give the researcher background about the case and its stakeholders, through a case background. Section five includes the actual case of EQT's acquisition of BPEA. The sixth section will discuss and interpret the findings from our research and link it to a broader research context. Lastly, the seventh section will summarize our findings in a conclusion.

2. Literature Review

In the following section, a review of relevant literature related to the thesis topic is presented. The literature review is divided into three sections: Private Equity (PE), Merger & Acquisitions (M&A), and lastly, regarding the "Buy or Build" decision. First, the concept of PE is discussed, followed by an overview of the PE market in Asia. Second, an overview of M&A is provided, specifically cross-border M&A and M&A between human capital intensive firms. Finally, the literature review ends with a discussion of the factors influencing the decision of "Buy, Build or Partner".

2.1 Private Equity

PE firms raise PE funds to raise equity capital from investors, designated for investments in companies (Kaplan & Strömberg, 2009). PE firms gain revenue from management fees paid by the investors, as well as carried interest which is based on the performance of the fund (Døskeland & Strömberg, 2018). Carried interest is usually 20% of the profit, and management fees often range between 1.5% – 2.5% of committed capital during the investment period and on invested capital henceforth (Døskeland & Strömberg, 2018).

A PE fund is structured as a limited partnership (Kaplan & Strömberg, 2009). The general partners (GP) are the PE firm that manages the PE fund, while the limited partners (LP) are often institutional investors or individuals with high net worth that allocate capital to the PE fund (Kaplan & Strömberg, 2009).

2.1.1 Value Creation in Private Equity

Research by Gompers et al. (2016) has shown that the majority of fund managers in PE believe they can create significant value by buying low and selling high. Although this passive ownership can generate returns, active ownership is often viewed as the more critical value driver during the ownership (Døskeland & Strömberg, 2018). The aim of active ownership is to generate a return through increasing value in a company through different value-enhancing initiatives (Døskeland & Strömberg, 2018). During the ownership, PE firms implement changes to create value by having a controlling stake in the company (Døskeland & Strömberg, 2018). These value-adding changes could be divided into operational, financial or governance engineering (Kaplan & Strömberg, 2009).

Firstly, operational engineering implies that PE firms increase the value of their investments by using industry and operating knowledge to find high-potential investments,

construct value-enhancing strategies, and successfully implement these strategies (Kaplan & Strömberg, 2009). Examples of operational engineering could be cost-saving initiatives, acquisitions, productivity efficiency, and strategic changes or repositioning (Døskeland & Strömberg, 2018).

Secondly, governance engineering refers to the value created from PE firms being more actively involved in the governance and control in the boards of the portfolio companies (Kaplan & Strömberg, 2009). The initiatives used could be offering equity-linked incentives to management and having smaller and more active boards with industry experts (Døskeland & Strömberg, 2018). Research has furthermore shown that PE firms are more likely to replace management that are not performing sufficiently (Kaplan & Strömberg, 2009).

Lastly, financial engineering is described by Finnerty (1988) as *"The design, the development and the implementation of innovative financial instruments and processes, and the formulation of creative solutions to problems in finance"*. This could include optimizing capital structure, using new consumer-type financial instruments, or designing customized security arrangements for financing of a project, with the aim to create more value (Finnerty, 1988).

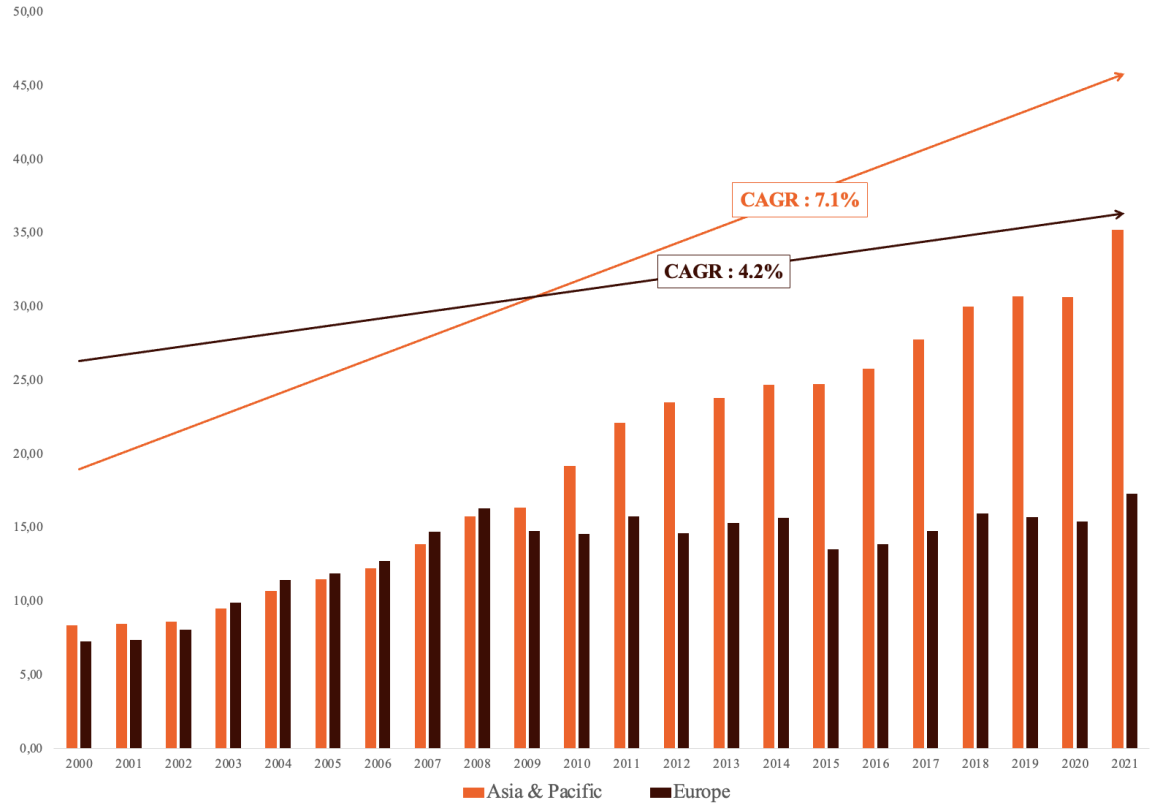
In conclusion, PE firms concentrate on *"creating real value through active ownership and governance of firms in a way that is difficult to replicate in a public setting"* (Døskeland & Strömberg, 2018).

2.1.2 The Private Equity Market in Asia

2.1.2.1 Investment Environment in Asia

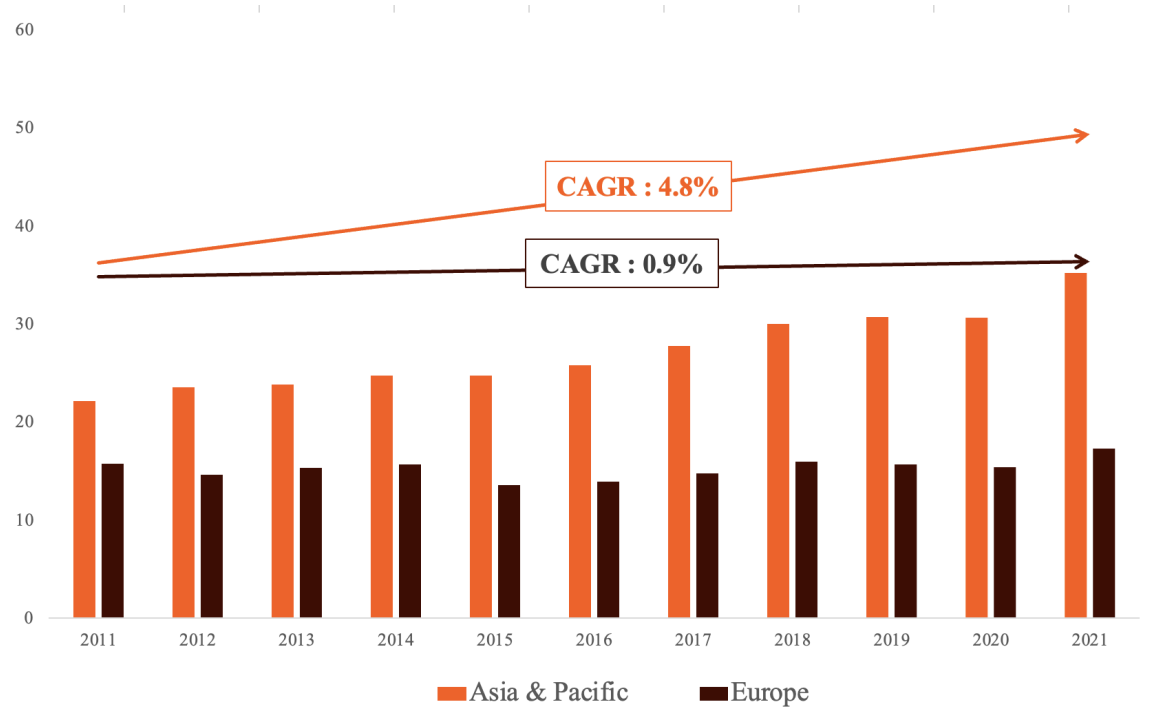
The Asian market has experienced a massive growth after the 2000 high-tech market crash (Khan, Khan, & Khan, 2022). As seen in graph 1 below, the GDP in the Asia-Pacific region has grown at a higher rate than in Europe in recent years, where the growth has started to stagnate (Word Bank, 2024). When analyzing the growth in Europe over time, it becomes clear that the growth slowed down in recent years as the compound annual growth rate (CAGR) of 2000-2021 is 4.2%, while the CAGR between 2011-2021, as shown in graph 2, is 0.9% (Word Bank, 2024). However, the Asia-Pacific region is still experiencing a high growth with a CAGR of 4.8% between 2011-2021, thus more than 6x the growth in Europe over the same time period (World Bank, 2024). The high growth in Asian economies compared to other regions in the world are making them important stakeholders in international trade and global investment (Rahim, Ahmad, Ahmad, & Rahim, 2013).

Graph 1: GDP Comparison in trillion $US - Europe and Asia-Pacfic 2000-2021



Source: World Bank, 2024

Graph 2: GDP Comparison in trillion $US - Europe and Asia-Pacific 2011-2021



Source: World Bank, 2024

Furthermore, the growth in emerging markets has increasingly attracted international investors due to the deal opportunities in these markets (Sannajust & Groh, 2023). The potential in these markets is driven by population growth, increasing managerial skills, improved quality of education, new innovations, and the developed deal environment (Sannajust & Groh, 2023).

The attractive investment climate in the Asia-Pacific region has increased the number of active investors and hence intensified the competition in the market (Bain, 2022). In 2021, the number of active investors increased by 39%, compared to the CAGR of 18% between 2016 and 2021 (Bain, 2022). Although the number of competitors has grown, deal value is concentrated around the top 20 funds, which made up more than 30% of the deal value in 2021 (Bain, 2022).

Dai et al. (2012) argue that cross-border investments in Asia contribute with expertise to the market but also experience challenges with monitoring and gathering information due to cultural and geographical distance. Furthermore, transaction experience in the market is a success driver in PE deals (Sannajust & Groh, 2023). The lack of this experience often makes transactions in emerging markets more difficult for international investors (Sannajust & Groh, 2023). Expanding with local branches is, however, a way to mitigate these challenges and has shown to have a positive result on emerging market PE dealmaking and monitoring (Hammer et al., 2022).

2.2 M&A

There are usually two different approaches when wanting to change the ownership and control over a target firm; either acquire the target firm or merge with the target firm (Berk & DeMarzo, 2023). In both scenarios, the acquirer needs to purchase the stock or existing assets of the target firm for cash or shares in the new entity (Berk & DeMarzo, 2023). An acquisition between two companies in the same industry is often referred to as a horizontal acquisition, while if the target firm operates in the same sector as the acquirer but in another part of the supply chain, it is called a vertical acquisition (Berk & DeMarzo, 2023).

2.2.1 Stock Market Driven Acquisitions

Shleifer and Vishny (2001) presented a theory of acquisitions in their research paper "Stock Market Driven Acquisitions" that considers stock market valuations of the acquirer and the target as the drivers of the transaction. The theory is based on the stock market's misvaluation of potential acquirers, potential targets, and their combinations.

As managers are viewed as rational, they take advantage of the stock market inefficiencies through merger decisions. The model presented in the research paper shows that the decision to acquire and choice of payment is influenced by the timing of the market. Acquirers will use stock acquisitions when their stock is overvalued and anticipated to decline in the long term. Furthermore, perceived synergies become highly significant with stock payment as managers have an incentive to realize them to help generate both short-term and long-term returns (Shleifer & Vishny, 2001).

2.2.2 Synergies

In M&A, synergies occur when the value of the acquirer and the target operating as one firm is greater than the companies' combined value when operating as two separate firms (Feldman, E. & Hernandez, E., 2022).

$$Value[A + T] > Value[A] + Value[T]$$

There are two types of synergies, cost reductions and revenue enhancements (Berk & DeMarzo, 2023). Synergies involving cost synergies are usually more feasible since they are more tangible and concrete, for example, they often emerge as employee layoffs or optimizing other expenditures (Berk & DeMarzo, 2023). In the case that a merger or acquisition provides opportunities to expand in other markets or capture new customers, revenue enhancement is another possibility (Berk & DeMarzo, 2023).

Another driver for revenue enhancement is economies of scale. Economies of scale is the concept indicating that a more significant scale enables a decrease in variable costs (Stigler, 1958). Using a novel model and data from 238 private equity funds raised between 1993 and 2006, Metrick and Yasuda (2010) find that the buyout business is more scalable than venture capital. The scalability enables fund managers to increase their fund size without increasing resources correspondingly. This is due to the fact that buyout (BO) managers can quickly build on their prior experience by increasing the size of the funds, leading to higher revenue per professional. Increasing fund size is, therefore, found to be value-adding for a buyout fund. Research finds that larger private equity firms are more prone to start new fund strategies, as larger firms are able to generate larger scale benefits (Lim, 2022).

Revenue enhancement from an acquisition can furthermore be achieved through economies of scope. Economies of scope imply that total revenue earned from multiple offerings is more significant when offered by one firm than when offered separately by different firms (Nagata, Maeda, & Imahigashi, 2004). It is driven by revenue complementarity, increased

brand image, and being able to offer a "one-stop shopping.". Herring and Santomero (1990) have argued that customers of financial services value being able to receive several different products from one company, leading to revenue enhancement from an expansion of the business to offer "one-stop shopping."

2.2.3 Cross-border M&A

Cross-border M&A (CBMA) has become a significant part of the global economic growth over the last decades and is spread out around the world (Lawrence, E., Raithatha, M., & Rodriguez, I., 2021). The amount of CBMA transactions is considerably lower when there is a more significant cultural difference between the countries in which the companies operate (Ahern, K., Daminelli, D., & Fracassi, C., 2021). There is a strong argument for companies to make cross-border strategic partnerships with companies that share similar national cultures (Shi & Tang, 2015). Companies that share similar national cultures help build trust, have lower transaction costs, and are more efficient when handling information flow and organizational learning between the firms (Nielsen, 2007; Tihanyi et al., 2005). This results in better performance of strategic partnerships between companies from countries with similar cultures (Nielsen, 2007; Tihanyi et al., 2005).

2.2.4 M&A of Human Capital Intensive Firms

Conducting a merger or an acquisition as a human capital intensive firm (HCIF) entails significant differences compared to a traditional physical capital intensive firm (PCIF) (Chen & Chen, 2012). In these HCIFs, the value creation opportunities are mainly the employees' insights, which makes integration difficult but also crucial for success (Chen & Chen, 2012). Assessing the value of the stand-alone firm and the synergies that are attainable, therefore, becomes more uncertain (Chen & Chen, 2012).

2.2.4.1 Stand Alone Value in HCIF

In a traditional PCIF transaction, the firm's valuation is, according to Chen & Chen (2012,) based on the balance sheet. On a HCIF's balance sheet, the main value-creating resource, human capital, is not reflected, which the authors argue complicates the valuation. Moreover, since the primary resource is human capital, the employee turnover after the deal is an essential factor impacting the value of the target firm and the deal. Physical assets are easier to transfer and control after an acquisition; lost human capital is conversely challenging to manage and will increase unexpected costs of the deal. Furthermore, not being able to retain the human capital would destroy the M&A value since the human capital is the firm's core asset (Chen & Chen, 2012).

2.2.4.2 Synergy Value in HCIF

Chen and Chen (2012) argue that the main concern for HCIF integration is to know if the two firms' human resources, tacit knowledge, skills, and expertise, are aligned and if the human capital's resources are transferable. If the two firms' human capital is not aligned, it will be highly difficult to realize synergy value. Even though the firm's human capital is aligned, the transferability of tacit knowledge in human capital is difficult to integrate, making the value transfer difficult, according to the authors. Synergies will arise when the knowledge exchange between the two companies increases the knowledge level of the two separate businesses. It will demand efficient communication to articulate and transfer the knowledge between the two firms, to effectively utilize the two companies' key resources (Chen & Chen, 2012).

The difficulty of valuing the synergies in a HCIF is also affected by the increased risk of information asymmetry in a HCIF deal. This is because the key resource, human capital, is not as easily observed and measured as physical resources (Chen & Chen, 2012). Information asymmetry might lead a good company to not want to sell because of the fear of being undervalued, and the opposite is true for a bad company (Chen & Chen, 2012). To reduce the information asymmetry, it is important to gather extensive information about the target company (Chen & Chen, 2012). The buying firm can further use a non-cash payment to minimize the risk of information asymmetry (Chen & Chen 2012). This incentivizes the seller to give accurate information about the company and align the goal of a profitable deal (Chen & Chen, 2012).

2.2.4.3 Risk of Overpaying in a HCIF Deal

Because the stand-alone value and synergies of HCIFs are very difficult to access, the risk of overestimating the benefits in an acquisition of a HCIF is high (Chen & Chen, 2012). Buyers, therefore, often overpay for the integration benefits as they are overly confident in the integration of the two firms, which could make the acquisition less profitable in the long term (Chen & Chen, 2012). Companies should, therefore, lower the expectation of integration, thus lowering the premium, and consider the uncertainties of valuing a HCIF firm (Chen & Chen, 2012).

2.2.4.4 The Importance of Culture in a HCIF

Besides the complexity of valuing an HCIF and its synergies, culture plays a significant role that needs to be accounted for. Human capital is considered the core of a company's competitive advantage and has the potential to improve its performance (Youndt & Snell, 2020). Furthermore, the transfer of knowledge through the firm's social capital enables them to leverage their knowledge across different parts of the organization,

creating possibilities of organizational improvements (Youndt & Snell, 2020). A study of the relationship between intellectual capital and organizational performance conducted by Youndt & Snell (2020), showed that social capital was the strongest performance indicator, thus emphasizing the vital importance of relationships within organizations.

Table 1: Summary of M&A between HCIF Main Challenges

Challenge	Explanation
Integration	Integration between HCIF is both difficult and crucial, as the value creation opportunities stem from the employees' insights.
Employee Turnover	The main resource is human capital, making employee turnover a crucial challenge that impacts the M&A value of the deal.
Alignment	It is more straightforward to realize synergy value if the human capital is aligned.
Information Asymmetry	There is an increased risk of information asymmetry in a HCIF deal, making valuation of the synergies more complicated.
Overestimation	Overconfidence in the integration often leads to acquirers overpaying, which can make the acquisition less profitable in the long term.

2.3 Buy, Build, or Partner

When wanting to expand to a new market, there are three different business models that a firm can pursue: internal development, M&A, or partnership, also called buy, build, or partner (Ego, 2022). Ego (2022) concludes in his research that the main factors affecting the decision are internal factors, external factors, and decision-specific factors.

2.3.1 Internal Factors

The resources are the most important dimension of the growth strategy decision within the internal factors. Research has found that firm size positively correlates with a decision to acquire, while the opposite is true for internal development (Ego, 2022). This could be explained by larger firms having larger financing possibilities for an acquisition and

its potential risks (Ego, 2022).

It is also important to analyze human resources' impact on the decision to buy, build, or partner. When the growth strategy is complex and involves substantial investments, there is a higher chance that firms choose to acquire instead of building to avoid having to develop managers internally (Brouthers & Brouthers, 2000; Hennart & Park, 1993). There is a limit on how fast a company can recruit and train new managers, and since an acquisition can rapidly scale up the management, it is preferred when there is a need to ease the managerial burden (Ego, 2022). The need for consistent knowledge management in foreign environments makes the quick development of competencies more vital (Hagedoorn & Duysters, 2002). However, the complexity of integrating human resources can counteract the advantages of an acquisition (Dyer et al., 2004). Therefore, a firm's ability to learn and adapt might affect the decision towards an acquisition or partnership when entering a new market, an absorptive capacity perspective on the decision (Cohen and Levinthal, 1990; Hoffmann & Schaper-Rinkel, 2001).

Experience is one antecedent that has been shown to affect the growth mode decision as it reduces uncertainty and risk with the strategy (Ego, 2022). Larger international experience enhances the ability of a firm to manage risk, which affects the growth decision to involve larger investments and control through an acquisition (Ego, 2022). Other researchers focus more on country-specific experiences to distinguish the build or buy decisions of firms (Ego, 2022). Researchers have found a greater likelihood of acquisition when the firm has larger country-specific experience since it reduces the integration challenge. Acquisitions can also reduce the competitiveness between the companies in the industry, which makes it more common in a market where the firm is already operating (Ego, 2022).

2.3.2 External Factors

When analyzing the external factors of the build, buy, or partner decision, it is important to distinguish the macroenvironment (target country) and the microenvironment (Ego, 2022). The macroeconomic environment involves political, economic, and legal factors of the growth strategies, and thus a measure of the country-specific risk (Ego, 2022). Research has found that companies that have limited knowledge of handling country-specific risk and uncertainty more often choose a cooperative mode when entering the riskier markets as they are less irreversible (López-Duarte & García-Canals, 2002).

The sociocultural factors of the target country have further been investigated and measured by "cultural distance," i.e. how much the norms and values differ from those

of the home country (Ego, 2022). The larger the cultural distance, the more common it is to grow with partnership modes rather than full-control modes to share control (Ego, 2022).

The microenvironment, conversely, considers the industry or the market in which the firms operate (Ego, 2022). Market potential is an important factor that affects the decision of growth strategy (Ego, 2022). Researchers have found that acquisitions allow for faster entry and decrease the opportunity cost of the lead time of organic expansion, making them more efficient in high-growth markets (Ego, 2022). The decision of growth strategy when entering a new market is further affected by the competitiveness and the barrier to entry (Ego, 2022). The higher the industry concentration, the higher competitiveness and barriers to entry, increasing the preference for making an acquisition rather than a direct entry (Ego, 2022).

2.3.3 Decision-Specific Factors

There are furthermore decision-specific factors that are crucial for the decision to buy, build, or partner when entering a new market (Ego, 2022). These factors are the objective, thus dependent on the end goal of the growth strategy and the target/partner characteristics (Ego, 2022). The amount of control, risk, flexibility, and speed the firm decides upon significantly affects which growth strategy is the most suitable for the firm (Ego, 2022).

When market knowledge or market proximity is important, firms tend to favor acquisitions over partnerships to gain control of the resources (Ego, 2022). However, conducting an acquisition entails taking on a large risk since it is often a large one-time investment with an acquisition premium and integration challenges (Lee & Lieberman, 2009). Internal developments are, on the contrary, often projects that are spread out across project parts, making it easier and less expensive to discontinue if the market entry fails (Lee & Lieberman, 2009). Companies, therefore, often begin with some risk familiarization when developing a market strategy. This includes entering the market with a low-risk strategy and then developing riskier strategies, such as an acquisition (Kogut & Singh, 1988).

Moreover, when deciding whether to buy or partner, asset digestibility, which is how tightly integrated the undesired assets are with the desired assets in the target firm, is an important factor affecting the decision (Ego, 2022). If the desired assets are hard to disentangle from the undesired assets, such as large companies with diverse divisions, it is more common to choose a partnership and vice versa (Ego, 2022). Research has also found that similarities between the firms also play an important role (Ego, 2022). The

larger the differences between the companies, for example, in resources, knowledge, or status, the harder it becomes to assess the value of the assets, which therefore increases information asymmetries and makes acquisition more difficult (Balakrishnan & Koza 1993). Higher similarity, however, increases synergies and value-creation possibility in an acquisition (Villalonga & McGahan, 2005; Tseng, 2017).

Table 2: Choice between Buy versus Build

Buy When:

- Access to larger financing possibilities
- A complex growth strategy that involves substantial investments
- Desire to rapidly scale up the management without increasing the managerial burden
- A need for consistent knowledge management in foreign environments
- The target has larger country-specific experience
- Both firms are operating in the same market
- High-growth markets as acquisitions allow for faster entry
- High industry concentration, competitiveness, and barriers to entry
- Market knowledge or market proximity is important
- Higher similarity between the companies conversely increases synergies and value-creation possibility

Build When:

- Limited knowledge of handling country-specific risk and uncertainty in riskier markets
- Large cultural distance
- Desire to have a simple and less risky market strategy
- Desired assets are hard to disentangle from undesired assets, for instance, large companies with diverse divisions
- Large differences between the companies, for example, in resources, knowledge, or status

2.3.4 Decentralization vs Control

An important aspect of the buy or build decision is the question of the actual decision-making in the acquired firm post-acquisition. Aghion & Tirole (1997) conducted research regarding formal authority (the right to decide) and real authority (the effective control over decisions) within organizations. Their research discusses how different factors affect

the allocation of authority between "the principal" (EQT in this case) and "the agent" (BPEA in this case). A decentralized structure of decision-making where the agent operates fairly independently, as previously, incentives the agent to support the principal and combined firm to obtain key insights into the associated activities and its pay-offs (Aghion & Tirole 1997). The authors' research suggests that the agent shows more initiative with higher private benefits and a lower interface of the principal. However, a decentralized structure implies a loss of control for the principal, leading to a higher likelihood of supporting inferior projects (Aghion & Tirole 1997). Therefore, there is a trade-off between incentivizing the agent and the lost control it entails. Aghion and Tirole (1997) conclude that principal are likely to delegate decisions in which the principal has high trust in the agent and in questions where the principal has less prior expertise and competency.

3. Case Methodology

The case methodology section will present the methodology used to conduct the study. It will begin by presenting the research design and the reason for conducting a case study. Later, the data collection will be outlined, as well as a disclosure of the interviewees. Finally, the research quality will be reviewed, including a discussion of the validity and reliability.

3.1 Research Design

The research is conducted through a case study method, in which we analyze the transaction by EQT of BPEA. According to Yin (2018), a case study method aims to illuminate a decision or a set of decisions. Thus, the main focus is examining the decisions and explaining why they were taken, how they were implemented, and the factors affecting the result (Yin, 2018). Swanborn (2010) moreover argues that the case study methodology is the most effective approach to understanding different perceptions and decision-making in relation to their interactions. This research aims to understand the decision of EQT to acquire BPEA, the implementation and the contributing factors to the perceived success of the acquisition, thus aligned with the optimal conditions for a case study. The case study methodology is suitable for research of new phenomena or in fields with limited prior research (Eisenhardt, 1989). Denscombe (2017) argues that a case study aims to emphasize a general theme by investigating a specific one. Due to the limited number of M&A deals between private equity firms, according to Bain (2023), we argue that the optimal way to examine a transaction of one PE firm acquiring another is through a case study method.

3.2 Data Collection

To get a comprehensive view of the transaction, we interviewed several stakeholders involved in the deal to use as primary data for our research. We used an intentional selection when selecting the interviewees for our study. This means there has been a purposely choice of who to interview to get as relevant information as possible (Yin, 2014). Our selection of interviewees was based on the level of knowledge and experience the person had regarding the deal. As we wanted to understand the decision to acquire BPEA thoroughly, we interviewed two people from EQT's business development team and the CFO of EQT, who were the main decision-makers in the deal. To understand the implementation of the two companies, we chose to interview the person responsible for the culture at EQT. Furthermore, we interviewed key stakeholders working at BPEA

to understand the company's perspective on the acquisition and the potential benefits or drawbacks they perceived. We conducted eight interviews, each lasting between 30 and 60 minutes.

When conducting the interviews, we chose to adopt a semi-structured approach, where some questions and topics were predefined (Merriam, 1994). A few questions were added during the interview as follow-up to their responses. Adeoye-Olatunde and Olenik (2021) argue that the main benefit of semi-structured interviews is that they allow a focused interview that further gives the participant the flexibility of highlighting additional relevant information. This allows a deeper understanding of unique participants' perspectives. The semi-structured approach was therefore chosen to achieve a structured interview that still allows for the flexibility needed to get a comprehensive understanding of each interviewee's perspective of the deal.

Public information about the deal and the two companies has been used as secondary data to prepare for and complement the information gathered at the interviews. Public documents include annual reports, industry reports, press releases, and capital market day presentation.

Table 3: List of Interviewees

Interviewee	**Role**	**Company**	**Nr of Interviews**
Sebastian Frisk	Managing Director, Business Development at EQT	EQT Group	2
Jan Gunell	Associate, Business Development at EQT	EQT Group	2
Anna Wahlström	Leadership Strategy & Culture Enabler at EQT	EQT Group	1
Kim Henriksson	Chief Financial Officer	EQT Group	1
Adeline Wong	Head of HR at EQT Private Capital Asia	BPEA	1
Clara Ho	Head of Business Development at EQT Private Capital Asia	BPEA	1

3.3 Research Quality

There are, however, some criticisms against conducting a case study as a research method. One of the biggest concerns regarding case studies is that they are not rigorous enough (Yin, 2014). Case studies should not be used to draw general conclusions since the nature of the research is too situation-specific (Yin, 2014). This study should, therefore, be seen as a "best practice study" for PE firms conducting a cross-border acquisition of another PE firm rather than a generalized study of the concept.

3.3.1 Validity

Yin (2018) argues that the concept of validity should be assessed through three dimensions: construct, internal and external. Construct validity covers the criticism regarding the pre-judgment of the researcher when collecting the data (Yin, 2018). To ensure high construct validity, the interviews have been complemented with secondary data sources in the form of data and public information, ensuring subjectivity is maintained (Yin, 2018). As for internal validity, the main concern is causality, which is highly relevant to explanatory case studies (Yin, 2018). Considering that this thesis is not aimed to be an explanatory case study but rather an instrumental case study, the problem with causality is not addressed. The last dimension, external validity, tackles the complexity of generalizing the findings in the case study to a wider perspective (Yin, 2018). Considering that the study is qualitative, statistical methods with significance tests to approve hypotheses can not be used, making external validity difficult. In a qualitative study, external validity becomes achievable when the findings are compared to appropriate theories (Yin, 2018). Therefore, the transaction between EQT and BPEA is evaluated against well-established theories behind private equity and M&A to ensure external validity.

3.3.2 Reliability

Reliability aims to ensure that the research can be conducted repetitively by following the same procedure and arriving at the same findings and results (Yin, 2014). According to Stenbacka (2001), reliability becomes irrelevant when conducting qualitative research. Reliability refers to the capability of the measurement method to produce the same result repeatedly (Stenbacka, 2001). In qualitative research, it is impossible to distinguish between researcher and method, making reliability irrelevant (Stenbacka, 2001). On the contrary, Yin (2018) argues that the reliability problem can be approached by using a case study protocol and developing a case study database to make the research as transparent as possible. To conduct the research in line with what Yin (2018) suggests, we documented questions and topics discussed in the interviews. This makes it easier for a future researcher to replicate our study. However, it does not ensure the same result

because the answers in the interviews could be affected by human parameters as well, such as the mood that day, the interaction between the interviewer and interviewee, etc.

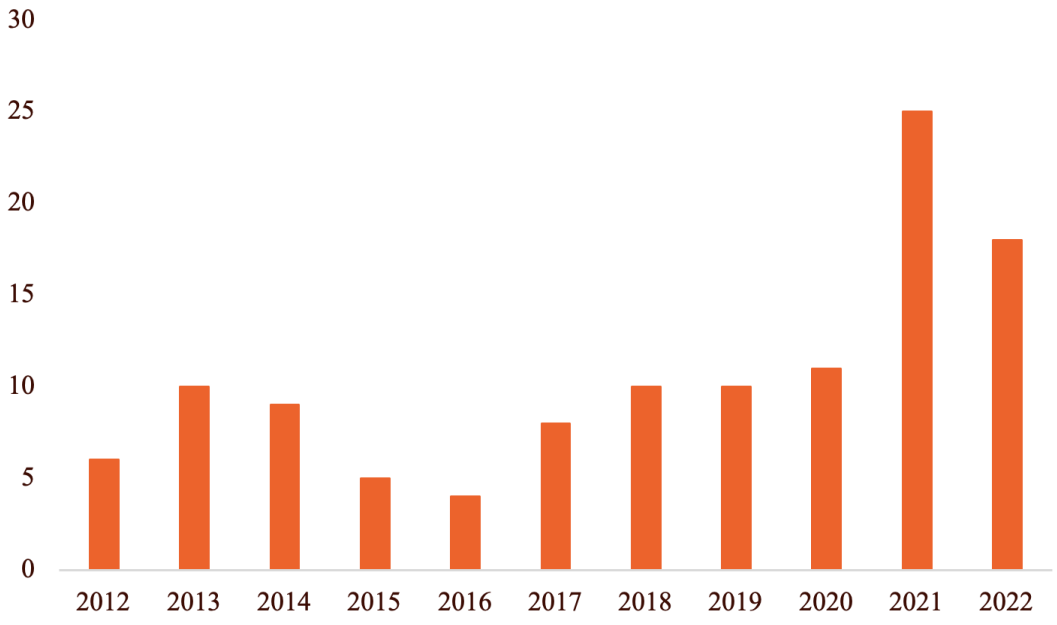
4. Case Background

The following section presents insights into the recent development of strategic M&A activity in the PE market. The subsequent part provides an overview of EQT, its overall strategy, and its involvement in Asia. Lastly, an overview of BPEA prior to the acquisition, as well as fundamental information about BPEA's valuation and the actual transaction, is presented. The information related to the case study is derived from interviews with relevant stakeholders, internal documentation, and data unless specified otherwise.

4.1 The Strategic M&A Market in the PE Industry

The PE market has, in recent years, experienced an increased number of strategic acquisitions (Bain, 2023). Even though strategic M&A activity is still rather limited in the industry, there is an upward trend of PE firms trying to make M&A work as a growth strategy (Bain, 2023). It is driven by the importance of expanding assets under management (AUM), which requires PE firms to examine new growth initiatives (Bain, 2023). This is especially true for smaller PE firms experiencing difficulties growing due to a tougher fund-raising climate, and could thus instead be acquired into a larger platform (Bain, 2023).

Graph 3: Nr of Acquisitions Made by the Top Alternative Asset Managers Globally



Source: Bain & Company, 2023

Bain (2023) has found that it is considerably easier for publicly traded firms to conduct strategic acquisitions due to having a stronger balance sheet and liquid currency that private PE firms lack. Debt financing for strategic acquisition is also easier for public PE firms since it is easier to value the firm (Bain, 2023). The increased pressure by the public shareholders to grow AUM is a further reason for public PE firms to conduct strategic acquisitions, as it could be a crucial method to accelerate their growth (Bain, 2023). An important aspect of strategic acquisitions of PE firms is retaining the target firms' key talent (Bain, 2023). Most importantly, according to Bain (2023), is the understanding of the key employees at the target firm that are driving value and how to attract them to stay. Since the acquiring firm is acquiring a large part of the income streams, retaining the top employees requires that they believe in a growth story of the acquisition that demonstrates the value creation of the combined firms is larger than the two firms separate. Therefore, a good economic setup for the key talent, aligned with this growth belief, is crucial (Bain, 2023).

Another important aspect of the acquisition is the integration, involving how much and fast the firms are integrated (Bain, 2023). Since private capital is an entrepreneurial business and operates in a way that values autonomy, flexibility, and entrepreneurial decision-making, there's usually little need or desire for a traditional boss (Bain, 2023). Therefore, a successful integration requires a long and gradual integration to achieve the desired integrated business model (Bain, 2023). Despite there being several areas that simply could be consolidated, the importance of client relationships in the industry makes eliminating overlap more complex (Bain, 2022). For instance, consolidating two investor relations functions could negatively impact the speed or scale of fund-raising (Bain, 2022).

In conclusion, although strategic acquisitions of PE firms are increasing, achieving success remains complex and hence needs to be considered carefully.

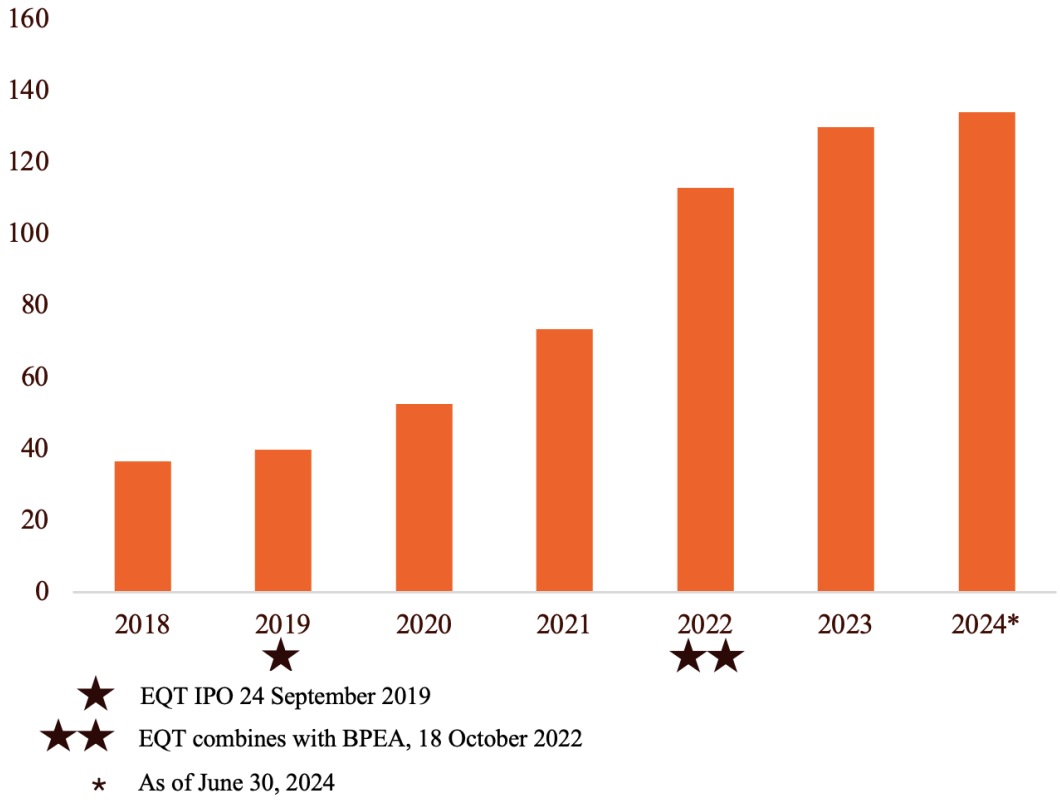
4.2 EQT

EQT was established in 1994 in Sweden, supported by Investor AB, AEA Investors, and SEB. Since then, EQT has grown to a global private equity company with offices in 25 countries across Europe, Asia-Pacific, and America. Currently, EQT is among the top three in private equity globally, after Blackstone and KKR.

Currently, EQT has EUR 134 billion in assets under management (AUM), and their AUM has grown significantly since 2018, as seen in Graph 3 below. It is distributed throughout 33 active funds within two business segments: Private Capital and Real Assets. Private Capital is divided into Private Capital EU & NA and Private Capital

Asia.

Graph 4: Development of AUM 2018-2024



Source: EQT Group, 2024

Table 4: EQT's Business Segments

Private Capital	Private Capital EU & NA	EQT VII
		EQT VIII
		EQT IX
		EQT X
	Private Capital Asia	BPEA VII
		BPEA VIII
Real Assets	Infrastructure	EQT Infrastructure III
		EQT Infrastructure IV
		EQT Infrastructure V
		EQT Infrastructure VI

Source: EQT Group, 2024

In 2019, the year EQT celebrated its 25-year anniversary, EQT AB got listed on Nasdaq Stockholm Stock Exchange, making them the 4th largest Swedish listed company. By taking the company public, EQT enhanced its financial profile, generating more investment opportunities and continued international expansion to elevate its global brand. Since the initial public offering (IPO), EQT's market capitalization has grown 517% based on the share price of September 30, 2024. Additionally, by taking the company public, a more transparent governance structure is made available, which is in accordance with their values.

A fundamental reason for EQT to initiate an IPO was to accelerate its growth and achieve its vision of becoming "the most reputable investor and owner". Additionally, they have a vision to become a top player within the PE industry. Their approach to realizing growth is both organically and through M&A. Since going public, EQT has made five acquisitions, and M&A is a continued growth strategy.

4.2.1 EQT's Strategy

The idea of EQT was forming a private equity company built on the Wallenberg family's entrepreneurial mindset and belief in responsible ownership. The firm furthermore applies

an active ownership philosophy to its investments by taking a hands-on role in managing the portfolio companies. EQT describes itself on its website as "a purpose-driven global investment organization focused on active ownership strategies". An example of an initiative introduced as a part of their active ownership model is the EQT playbook. This includes tools aimed at driving growth and developing their portfolio companies in the areas of digitalization, sustainability, and operations. The active ownership philosophy was, moreover a reason why EQT chose to divest its credit business in 2020 due to the nature of the operations not enabling active ownership initiatives.

Their deal sourcing is further a strategic initiative that is rooted in a thematic approach, influenced by macro trends that enable EQT to identify "high-quality companies with significant sustainable growth potential in attractive industries with secular growth drivers". This thematic approach is complemented by the in-house sector expertise of EQT professionals.

EQT further expands its expertise through its network of around 250 independent industrial advisors, often experienced managers from different industries worldwide. The industry advisors support the identification and evaluation of attractive portfolio companies, serve on the boards of portfolio companies, and assist the portfolio companies with strategic guidance and operational insights during EQT ownership.

EQT maintains a "local-with-locals" strategy, meaning that they strongly believe that local knowledge, local presence, local business relationships, and availability of local deal flow are crucial for gaining an advantage in private markets. With this strategy, EQT considers that they have a unique position to analyze companies and markets to develop unique investment prospects.

Table 5: EQT's Key Themes and Sectors

Key Themes:	Key Sectors:
	Private Capital
• Climate & Nature • Health & Wellbeing • Access & Equality • Resilience & Transparency • Our Connected World • The Modularization of Technology • Distributed Ownership & Decentralization • Aging Population	• Healthcare • Technology • Services • Industrial Tech **Real Assets** • Digital Infrastructure • Energy & Environment • Social • Transport & Logistics • Life Sciences • Residential & Self Storage

4.2.2 EQT's Involvement in Asia

EQT initiated its expansion to Asia by opening its Hong Kong office in 2006 due to the belief that it would be a favorable market. The Asia business pillar had grown to 40 employees before BPEA was acquired. Their Asian presence in PE, mid-market, and infrastructure was more limited, and they had never really gotten any real traction. An explanation is the high cultural barriers between Asian countries that EQT underestimated. Asia as a whole is very different compared to the US and Europe. At a country-specific level, being local is crucial to fully understand the connectivity and the risks as they differ significantly.

4.3 Baring Private Equity Asia (BPEA)

Founded in 1997 by Chilean dealmaker Jean Salata, Baring Private Equity Asia (BPEA) was a leading Pan-Asian private equity firm headquartered in Hong Kong. The private equity firm had offices in Beijing, Hong Kong, Mumbai, Seoul, Shanghai, Singapore, Sydney and Tokyo. It was originally founded as an affiliate of Baring Bank but became independent in 2000 following a management buyout. As of the acquisition in 2022, BPEA had 225 employees and €22.1 billion in fee-generating assets under management.

In September 2022, BPEA closed its eighth and largest fund, at $11.2bn, 70% larger than the former one and one of the largest private equity funds ever raised in Asia. In the years leading up to the acquisition in 2022, BPEA had experienced high growth, reflected in the AUM growth of 25% CAGR (2019-2021) and 2.6x realized gross MOIC since inception.

4.3.1 BPEA's Investment Strategy

Before the acquisition, BPEA had achieved a revenue structure of 77%, which came from management fees, while 23% came from carried interest and investment income. They invested 92% in private equity and 8% in real estate. The strategy was mainly driven by being a thematic sector-focused organization, investing primarily in business & information services, technological services, healthcare, education, financial services, industrial specialty/manufacturing, and consumer. Investments were focused on India, Greater China, Japan, SEA, Korea, Australia and cross-border. The BPEA strategy was further built on asset repositioning, institutionalization, and deal sourcing dominated by proprietary (relationship/direct approach), privately negotiated transactions, and intermediate approaches.

4.3.2 EQT's Acquisition of BPEA

Table 6: The Transaction

Deal Structure

- EQT acquired 100% of BPEA
- Total consideration: €6.8 billion
  - Shares:191.2 million new ordinary EQT shares, valued at €5.3 billion

EQT Financials

Announcement Day (March 16th, 2022)

- Market Capitalization: €31.32[1] billion
- AUM: €77[2] billion
- AUM (BPEA): €18[3] billion

Deal Completed (October 18th, 2022)

- Market Capitalization: €23.29[4] billion
- AUM: €92[5] billion
- AUM (BPEA): €22[6] billion

Key Ratios

- AUM multiple: 7.39% of AUM[7]
- EV/EBITDA: 24.21x[8]

[1] Based on the exchange rate of 10.49 SEK/EUR on March 16th, 2022.

[2] Q1 2022.

[3] BPEA's 2021 year-end AUM.

[4] Based on the exchange rate of 10.95 SEK/EUR on October 18th, 2022.

[5] Q3 2022. €114 billion, including BPEA AUM.

[6] Based on EQT's AUM Q3 2022.

[7] Based on values on October 18th, 2022.

The combined entity of BPEA and EQT was first rebranded as BPEA EQT Asia, but at the beginning of 2024, it was subsequently rebranded as EQT Private Capital Asia. EQT Private Capital Asia continued to be led by the former CEO, Jean-Eric Salanta, and the senior management of BPEA. The acquisition enabled EQT to add Beijing and Mumbai to its footprint, thus being local with locals in 25 countries, representing $\sim$ 80% of global GDP. It enabled EQT to develop a global platform for its active ownership strategies.

5. The Case

The following section will analyze EQT's decision to expand in Asia through a horizontal acquisition of BPEA and the challenges they faced. The section will begin by examining EQT's evaluation of the market and the perceived strategic fit of BPEA. Then, the valuation of BPEA and the key terms of the transaction will be outlined. Lastly, the integration will be analyzed, and the post-acquisition outcomes and value creation will be presented.

5.1 The Decision

The discussion of a potential acquisition of BPEA emerged when EQT received a call from Jean Eric Salata, founder and head of BPEA, regarding EQT's successful initial public offering (IPO) in 2019. Jean had questions, indicating an interest in a similar subsequent phase for BPEA's development. EQT responded with a proposal to combine the two large PE firms into one entity; thus, the idea of what is today known as EQT Private Capital Asia was born.

5.2 EQT's Evaluation of the Market

5.2.1 Consolidation in the PE Industry

In recent years, the PE industry has experienced a consolidation trend. Mature industries often consolidate after a certain time; however, this has become a new phenomenon for private markets. In private markets, the size of the firm is a key element as it can provide expertise within asset classes or regions. By being large and having a global presence, EQT has more to offer their LPs, who, consequently, will be able to have a single relationship with EQT and still invest in a range of companies in various industries and across regions. This enables a one-stop shopping experience for EQT's LPs. The consolidation is, therefore, mainly driven by the expanded offering it entails and the possibilities for economies of scope. This is reflected in the quote below from the interview with Jan Gunell at EQT:

"From a client point of view, if you're a portfolio manager managing hundreds of billions or even trillions, it's going to be super difficult to keep track of people and analyze the, let's say, five to ten thousand different private equity managers out there in the market. Even though you have a super strong performing small private equity manager who has a one billion fund, and if you can invest, say, 30 million in that fund, but your

overall private markets program is at, let's say, 500 billion, it won't move the needle. Then you would have to have thousands of different relationships with different managers, and it's going to be super difficult from a portfolio management perspective to report but also just understand and form close relationships with all those different managers."

(Jan Gunell EQT Business Development 17.10.24)

5.2.2 Asian Market Opportunities

Prior to the acquisition, EQT had a large presence in Europe and North America, thus, an expansion in Asia became the natural next step for further geographical growth. From a general macro perspective, the Asian market presented substantial growth opportunities at the time of the acquisition, both in the overall economy and the PE industry. EQT expected the Asian private capital market to grow twice as fast as the global private capital market and, by 2030, contribute to 40% of global GDP growth. EQT explained the upward trend of growth in the announcement: "This trend is expected to continue as Asian private markets benefit from favorable long-term structural tailwinds." This made EQT's LPs increasingly interested in growing their exposure to the market.

The accelerated growth in the PE industry has mainly been seen in Europe and the United States, compared to Asia, where the industry experienced less market saturation, thus representing future prospects for growth. Considering that the Asian PE market is somewhat less developed than the European and US markets, EQT had unique selling propositions of added value in terms of sustainability initiatives, digitalization, and other value-creation initiatives. In 2022, global private markets were increasingly capturing a larger part of the Asian market; however, they only represented 34% of the total market size, indicating an underpenetrated region. On the contrary, the European and US markets both have limited opportunities for growth by EQT due to the maturity of the market and the large number of competitors.

5.2.3 Scale and Diversification

Another aspect of the expansion to Asia is the diversification effects it provides for EQT. Geographical diversification enables PE firms to diversify away political and economic risk in specific regions. The effects Europe and the US saw of the Ukraine war prove the importance of geographical diversification, according to EQT. Following the war, the risk profile of the European and US investments increased substantially, while the Asian markets remained relatively unaffected. Hence, when a PE firm has enough scale, a downturn in one market does not affect the overall business as much, representing a defensive strategy through maintaining a global presence.

5.2.4 Market Concerns

Although there are large opportunities for growth in the Asian market, it presents challenges distinct from the common challenges EQT experiences in other regions. A notable instance is India's significant potential on the private capital side. As one of the fastest-growing markets in the world, there is an intense need for infrastructure investments. However, there are major risks associated with building infrastructure, such as a poor institutional environment. With their limited deal experience in the market, EQT found themselves uncomfortable taking on these risks in that kind of opaque market. Nonetheless, understanding the risks on a local basis enables the PE firm to assess them, i.e., increasing the importance of local knowledge for the private equity firms.

A further challenge of the Asian market is the large cultural barrier. Asia presents several distinct cultures compared to regions where EQT has a successful track record in terms of market dynamics, regulatory landscapes, and business practices. Nevertheless, when considering the cultural differences between Asian countries, the investment climate becomes substantially more complex. This makes it harder for EQT to apply previously proven strategies in these new markets.

5.2.5 EQT's "Buy or Build" Decision

EQT has a vision of becoming the no. 1 player in the private equity industry. To accomplish that objective it requires EQT to have a major presence in Asia, a continent with more than half of the world's population.

"(...) If we wanted to be the top player in the world in private equity, the number one in infrastructure, and the top 10 in real estate, the reality is that if we're not in Asia, we will never become number one."

(Sebastian Frisk, Managing Director EQT Business Development 17.10.24)

At the time of the acquisition, EQT had previously established a presence in Asia for over 15 years without succeeding with their strategy in the region. This was mainly due to an underestimation of the high cultural barriers in Asia. Therefore, there was a need for a substantial investment in terms of resources, network, and track record for EQT to achieve a larger scale and improve performance in the Asian region. It was furthermore important to be in line with their investment philosophy of being "local-with-locals" across the targeted countries EQT aimed to invest in. EQT realized it would take at least 10 years to achieve a true scale through organic growth in Asia, at the level of other Asian PE firms, leading to a competitive disadvantage in the region. An acquisition in

the region would be a faster and more efficient strategy to gain a strong position in the Asian market.

5.3 EQT's Evaluation of BPEA Strategic Fit and Synergies

Due to the fast and lucrative growth an acquisition would entail, EQT saw the opportunity with BPEA as an important next step in its growth strategy in the Asian region.

5.3.1 Access to Local Knowledge

An important factor in understanding Asia's business climate is the experience of both mistakes and successes. BPEA had in 2022 already conducted investments in the region for 25 years, a head-start to EQT. Since each country presents unique market characteristics, the chance of making mistakes in the early stage is high. The BPEA organization consisted of native investment professionals with deal experience in different parts of the region who truly understood the culture and its challenges. BPEA's deep local knowledge enabled EQT to build scale in Asia more efficiently than managing regulatory and cultural differences alone, which is in line with their "local-with-locals" strategy. The acquisition, therefore, ensured the quality and efficiency of a quick growth in Asia and their global diversification.

Acquiring a deeper local knowledge and investment experience of BPEA furthermore enhances the assessment of the risks of investments in the region and the skill set to manage these risks. It not only reduces the exposure to unexpected challenges but also equips EQT with a competitive advantage of being able to invest in a broader range of companies compared to less experienced competitors and capitalize on opportunities they were not able to before. Moreover, BPEA had developed relationships with stakeholders such as regulators, unions, other companies, the investor community, etc., which made them a preferred investor in the region. Thus, acquiring a company that already had a strong position in the market, learned from its mistakes, and gained trust as the preferred investor would give EQT a favorable position in the market.

5.3.2 Compatibility Analysis

When evaluating BPEA as an acquisition target, EQT discovered several potential complementary strengths that could create value when merged. Both companies are thematic investors with expertise within different sectors. BPEA's strong sector expertise in technology and education was complementary to EQT's expertise in healthcare and industrial services. EQT believed this could add to their capabilities and make it possible to collaborate regarding investments in a broader range of sectors, benefiting operations in all regions

they are operating in. The combination, therefore, enhances the expertise within the company by leveraging the different strengths.

An important part of the perceived strategic fit was the cultural similarity between the two firms. Primarily, this was discovered during an initial dinner with the CEOs of EQT and BPEA, Christian Sinding and Jean Salata. They realized they had the same mentality and vision for the future; thus, their aligned management styles had led them to build two very similar organizations separately. Both firms were thematic investors with a local-with-local approach and decentralized decision-making for their portfolio companies. During the initial discussion process, the management of the firms experienced a positive and collaborative dynamic, making them convinced that they could develop an enhanced combined firm with these working cultural similarities. The BPEA organization furthermore truly trusted Jean's judgment, which made EQT believe that it would make it easier to convince the employees to be motivated by a combination of the firms and the benefits there were. The similar management styles also made EQT believe the integration would be smoother.

This collaborative view was a crucial factor in EQT's belief in a successful acquisition, considering PE firms are human capital intensive businesses. EQT fundamentally acquires the workforce, which makes the acquisition more challenging than acquiring traditional businesses with production, IPs, technologies, etc. In that type of acquisition, the acquirer maintains full control over the resources and could easily be integrated after the acquisition. When acquiring mainly employees, EQT had to make sure that there existed a reciprocated desire to work together in terms of culture, performance, and track record. BPEA was thus a good fit, with highly motivated employees and a work culture similar to that of EQT.

Another beneficial factor when BPEA was evaluated was the limited overlap between the two companies, both geographically and vertically. If BPEA had had a large fund in the US, where EQT has a large operation, that could have created dissynergies when combined. Moreover, if BPEA had vertical functions that were not desired and hard to separate, EQT would have had to pay for something they did not want, making the deal less valuable. Therefore, it was a crucial factor for EQT that the functions of the two companies were aligned. BPEA did have a small credit function that EQT had no desire to keep as it was not aligned with their investment philosophy of active ownership. The two PE firms quickly reached alignment in divesting the function. This reflected the culture of working together as one team, moving towards a solution rather than debating back and forth. Experiencing this collaborative culture between EQT and BPEA early in the acquisition planning made them more confident that the firms were compatible and

could foster an admirable shared culture when integrated.

5.3.3 BPEA's Perceived Opportunities of Being Acquired

BPEA had, in the years leading up to the acquisition, identified an industry evolution where the PE firms were initiating growth strategies through consolidation or public offerings. To stay competitive, BPEA began to consider conducting an initial public offering (IPO). As talent is one of the crucial factors in PE firms, being a public company would provide a currency or incentive to retain or recruit talent. BPEA had grown to compete with globally listed peers, which meant that they had to implement new initiatives to compete with these global firms.

Following the call from BPEA regarding the lessons EQT had gained from their IPO, the similarities between the two companies became clear, and a suggestion for an acquisition was given. As the benefits of being acquired by EQT became clear, BPEA realized that an IPO might not be the most attractive way to achieve the strategic purpose. An organic expansion globally would be very challenging in Europe and the US, where the PE industry is very competitive, being acquired could help grow the company more efficiently. As EQT is listed, BPEA could moreover take advantage of the benefits of being listed, for instance, by providing currency to retain and recruit high talent without having to conduct an IPO. An IPO of BPEA would only achieve part of the strategic rationale of their growth. At the same time, being acquired by EQT could enable BPEA to leverage EQT's platform to achieve its ambition of becoming a global player. The combination allowed for knowledge sharing and capitalizing on each other's strengths, which would be absent in the case of an IPO and growing organically.

The most crucial consideration regarding the acquisition of the two firms was the cultural alignment. Early on, BPEA's senior management felt a strong connection with EQT regarding culture and values. The EQT values of being high-performing, respectful, entrepreneurial, informal, and transparent were considered to be well aligned with BPEA's values. The fact that EQT was a very purpose-driven firm was additionally important to BPEA. BPEA believed that the culture of having a certain purpose to drive the firm's future was very encouraging. An alignment of purpose was an important factor for the perceived success of the acquisition in order to work in the same direction.

A further alignment in the culture was the active ownership philosophy and value-creating approach the two firms had. Both BPEA and EQT prioritized being active owners in the companies they invested in. Involvement includes strategic and operational aspects to drive growth and performance rather than solely providing capital. This joint view on the

ownership philosophy was an important cultural aspect in integrating the two companies and deciding on an aligned strategy.

EQT, being a European firm, further made BPEA believe that cultural integration would be easier. Although there are large cultural differences between Europe and Asia, they have similarities as large regions consisting of many countries with distinct cultures and languages. According to BPEA, this leads to a better understanding and respect for different cultures and the need for adaptation, an essential part of BPEA's operations. The "local to local" approach of EQT was very appreciated by BPEA, which made them believe that a future joint strategy could be achievable.

5.4 Valuation of BPEA

Once the companies reached alignment regarding the fact that a combination would be a beneficial strategy for both firms, they needed to negotiate a value of the acquisition that both parties were comfortable with. During EQT's valuation of BPEA, standard valuation methods were used more to triangulate than to determine the company's value. EQT did not include the synergies in the valuation due to the uncertainties of achieving them. As BPEA was initially planning on conducting an IPO, they already had a price of the firm, which they believed they could achieve from going public, and an option to turn EQT down if they did not meet their expectations. Therefore, a concrete price was rather decided through a bilateral negotiation between the two firms, with an aim to reach alignment in price expectations.

However, the valuation became more complicated when EQT's share price dropped from an all-time high, SEK 544.4 (November 22, 2021), when the discussion of an acquisition started, to SEK 262.5 (March 8, 2022), shortly before the deal was announced. EQT primarily paid with shares and had locked the number of shares before the share price dropped. This implied that the actual value of the transaction declined, a disadvantage for BPEA. However, the deal went through as both Chris and Jean agreed that an acquisition was the right strategic move. The belief in the top-line synergies between the companies, particularly regarding market penetration and capital-raising, was a factor that justified the combination and the valuation.

Furthermore, as the payment was structured in shares and the management had a lock-in period of five years, the acquisition's real value depends on the combined company's future outlook. Therefore, the commitment to complete the acquisition demonstrated confidence in the long-term success of the EQT and BPEA combined. Therefore, the drop in share price, i.e. the decrease in the deal value of the acquisition, was not as critical for

the completion of the deal.

"They know the true value of their business - what it's worth, what their shares are worth in five, ten years, and as long as they believe that one plus one is greater than two or three and above, the strategic rationale was sound."

(Sebastian Frisk, Managing Director EQT Business Development, 17.10.24)

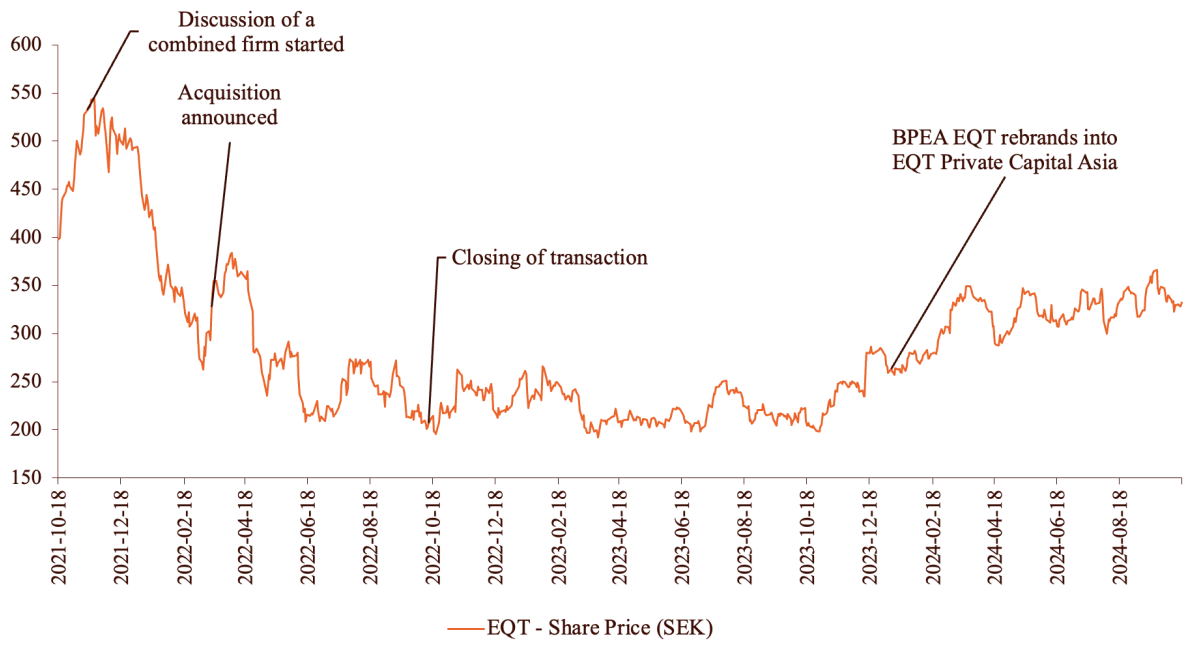
5.5 The Transaction

"We are very excited to join forces with BPEA, representing 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."

(Christian Sinding, CEO and Managing Partner of EQT, 16.03.2022)

The quote above reflects the view of the acquisition at the time of announcement on March 16th, 2022. When the deal was completed on October 18th 2022, the Private Equity teams were combined, and BPEA's Real Estate business was integrated into EQT Real Assets. EQT acquired 100% of the BPEA management company, and the parties settled for a consideration of £6.8 billion, translating to 7.4% of EQT's AUM Q3 2022. The consideration consisted of 191.2 million new EQT ordinary shares, corresponding to a dilution of approximately 16% and 1.6 billion in cash.

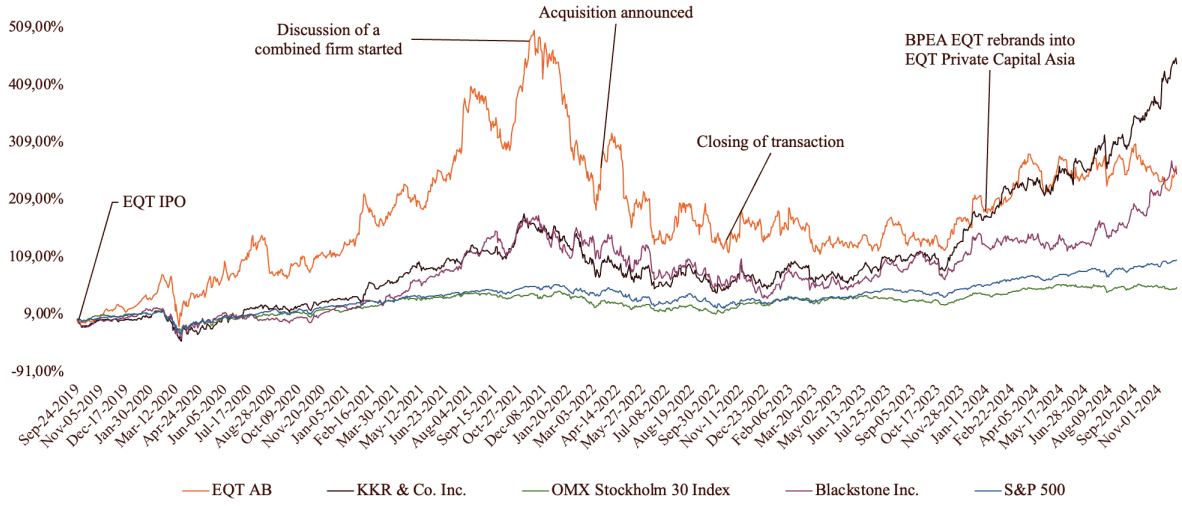
Graph 5: EQT Stock Price Development (SEK) October 2021 - October 2024



Source: Capital IQ, 2024

On the announcement day, EQT's share price jumped from SEK 293.1 to 327.9, an increase of 11.87%. The following day, on the 17th of March 2022, the share price rose another 4.0%. This indicates a positive outlook of the acquisition from the shareholders' perspective. Although the price was perceived as high, the long-term benefits were expected to outweigh the initial high cost. EQT justified the valuation of BPEA as they were the perfect fit for their strategic move, and from their point of view, BPEA was fairly valued. According to EQT, what truly matters is if the acquisition is accretive, i.e., increased earnings per share, not necessarily immediately. Still, in the long-term perspective, it is of high importance that there is a belief that the acquisition is accretive. The acquisition is accretive if the value-add of the synergies enhances earnings in the company, thus adding value to the shareholders. The increased share price, therefore, indicates confidence in EQT's belief in the benefits of the acquisition.

Graph 6: Stock Price Development (%) October 2019 - October 2024



Source: Capital IQ, 2024

As shown in Graph 5, the market supported the belief in long-term value creation as the share price jumped on the day of the announcement and the day after. During the integration, the share price was volatile and dropped significantly. However, compared to the overall market and other large PE firms, such as KKR and Blackstone in Graph 6, they all have had the same development on the stock market. This indicates that external factors can have affected the share price development, not solely the acquisition and its integration.

5.6 Integration

Strategic M&A is considered challenging, especially in the context of human capital intensive industries. As it involves acquiring people, not mainly tangible items, there is a need for both firms to have the desire to combine workforce. The firms referring to the acquisition of BPEA by EQT as a "merger" or "combination" demonstrates this desire.

Integrating human capital firms working with change management requires adaptation during the process. Therefore, EQT did not undertake a plan for the integration before the acquisition. A large part of the integration was a cultural part, where the desired outcome was to refer to the firms as a combined entity instead of two separate ones, which is beyond planning. EQT argues that a crucial step towards this desired outcome was when Jean decided to rebrand BPEA EQT into EQT Private Capital Asia in January 2024.

When describing the integration, EQT states it was based on workshops, dialogues, positivity, and curiosity. The integration was a process-based exploration of understanding and learning. Despite EQT's foundation for the integration, the complexity of an integration between human capital intensive industries poses challenges that need to be mitigated to create value.

5.6.1 Integration Complexity

During the integration, it was important to recognize both firms' strengths and combine these into one highly successful firm. Rather than applying the acquirers' established procedures on the acquired firm as in a traditional top-down acquisition, EQT aimed to apply the best parts of each firm to create the most effective operational strategies and approaches. Although this was aimed at generating greater value creation, the complexity of this kind of integration was larger and more time-consuming than that of traditional integration. It required substantial cooperation and understanding of each other's practices to create operational alignment and to ensure that neither side's strengths or value creation were lost.

To manage this challenge, the two companies developed workstreams that focused on different integration aspects. They identified around 27 workstreams within different operational or strategic areas, such as human resources, governance, investment processes, culture, etc. The workstreams divided the integration into manageable pieces, ensuring that each integration area was well-examined and aligned. In this way, the integration parts could be prioritized based on what is most urgent to align.

5.6.2 Cultural Differences

Although the challenge of working cultural differences was limited compared to what could be expected by a cross-border integration of two human capital intensive firms, there were some smaller challenges of adopting the new culture. Firstly, there was some skepticism at BPEA about the new way to work, with open-plan offices and a new software working system, when having to adapt to the EQT business. Furthermore, having a more hierarchical structure in companies in the Asian region is more common than in European firms. This posed a challenge when BPEA was integrated into EQT's more egalitarian culture, where vocal contributions are encouraged across all levels. However, this skepticism was perceived to be limited and diminished over time due to a climate of high respect for each other and a strong willingness to work together, according to the two companies.

5.6.3 Employee Anxiety and Uncertainty

A further challenge that had to be managed by the companies was the initial employee anxiety and uncertainty. When EQT and BPEA announced the acquisition and the strategic rationale, it created fear among the employees of not knowing how it would affect them regarding the compensation, processes, layoffs, etc. To cope with this uncertainty, the two firms created a co-creation committee and co-creation workshops targeting various areas where people had the most concerns. Even though EQT and BPEA did not have the answers to all uncertainties, they aimed to build trust and resilience through their co-creation working group and periodically updated the employees, recognizing that they were aware of the concerns and planned to take action on them. For EQT, it was important that the decisions were made with the employees' viewpoint in mind and that they made quick decisions so the employees did not have to live with the uncertainty for a longer period of time.

Even though employee anxiety can be a threat to the firms during the integration, EQT viewed anxiety as an opportunity for fresh perspectives. According to EQT, anxiety provides you with the chance to raise your concerns. In the absence of anxiety, change will never occur, and during an integration, change is a vital part and objective that both firms want to achieve.

5.6.4 Integrating Existing EQT team in Asia

Prior to the acquisition, EQT had a small team consisting of 40 employees in Asia, which was incorporated into the BPEA organization, thus indicating, to some extent, a reverse integration. The limited need for the BPEA organization to integrate into an existing organization contributed to minimal resistance among the employees. However, the present EQT team in Asia was the team that experienced the highest resistance as they would become quite small and less powerful in the new structure. This created uncertainties about the future structure and culture of the Asian business pillar of EQT and its role. To mitigate this resistance and uncertainty, Jean created a process involving the former EQT Asia team, ensuring they were informed and felt engaged in the decisions.

There was furthermore a time lag between the announcement and the completion of the acquisition, around which the EQT team in Asia and BPEA were not allowed to work together, and EQT was not fundraising to their fund during this period. Thus, EQT worked with retention measures to encourage employees to remain at the firm during this period and the integration period. This was important to ensure that the employees in Asia gained a full understanding of the operations of the combined firm and stayed in the firm during the uncertain period. However, the resistance resulted

in some employees, especially partners, relocating to Europe while a few left the firm. EQT expected employee turnover; nonetheless, the firm reorganized the partners to new responsibilities, minimizing the attrition's negative impact.

5.6.5 Retaining Senior Management of BPEA

The acquisition further imposed a concern about retaining the senior management of BPEA due to the large financial incentive package paid out to management. The wealth created to these individuals after the acquisition led to a perceived risk of less motivated management or an early retirement. As the large value in the acquisition of a human capital intensive firm is the employees, a loss of top management would be a significant concern for the acquisition's success. EQT, therefore, had to work hard to figure out structures that generated intrinsic motivation, hence seeing the acquisition as a stepping stone to something larger together in the future rather than an exit opportunity in terms of their career. This included taking part in decisions regarding the combination, being offered leadership positions in the new combined entity, etc., to encourage continued engagement in driving the business forward.

While there has been a large emphasis on shared resources, EQT kept BPEA decentralized from EQT. The decentralized model has, therefore, allowed EQT to keep talent at BPEA in top management positions as a structure to retain talent and create intrinsic motivations for remaining at EQT. The former management of BPEA still had substantial decision power, which motivated them to stay in the company and work collaboratively after the acquisition. If BPEA had been merged into a centralized EQT organization, following the decisions of EQT management, it would have been substantially harder to keep top talent without offering a decision-making position. By offering key talent positions with substantial autonomy, senior executives were able to view the acquisition as a growth opportunity; by managing their Asia portfolio with minimal involvement and simultaneously benefit from EQT's global resources. The autonomy has been important for EQT since BPEA was acquired due to its local expertise and operational strengths, making it crucial to preserve it. Thus, keeping BPEA decentralized from EQT, with substantial autonomy, has alleviated the collaboration by aligning the interests of the two firms.

5.7 Post-Acquisition Outcomes and Value Creation Analysis

5.7.1 Operational Efficiency

The acquisition has, according to EQT and BPEA, created a substantial value for the combined firm and has been considered as very successful. The success of the acquisition

has been highly dependent on the revenue synergies achieved from resource sharing, which enabled the firms to share resources and expertise across sectors, functions, and geographies. As mentioned, the two firms had complementary strengths, which have been important to leverage and encourage during the integration and have enhanced the value creation. The expertise within different sectors has led transactions to include senior management from both firms to maximize experience and knowledge in each deal. As BPEA was very strong in tech services and education, it has allowed EQT to make more informed decisions about investments in these sectors. EQT has a large focus on healthcare and technology and thus brings knowledge to investment in these areas in the Asian region. This approach has increased the transferability of knowledge within the company by learning from each other, taking advantage of the differences, and leveraging them. Management has viewed it as very successful and a substantial value-creator in their acquisitions. It shows the dedication of resource sharing and continuous learning rather than a traditional adoption to the acquirer. This is explained by Jan Gunnell, Business Developer at EQT.

"I would say on the deal team side, that's been a super positive development in terms of sub-sector collaboration and what can be achieved together. There have been, I think, just a couple of examples. EQT's Europe business has invested in some classified businesses. Now, the BPEA business did one of those in Australia, and they also did a vet clinic in Australia. And then they can just pick up the phone to the deal team and have a dump of deals within that sub-sector in Europe and North America, really understand the market dynamics, the trends, but also "who do you guys have as chairperson and other industrial advisors you think we should leverage for this" etc. That whole connectivity is a true differentiator."

(Jan Gunell EQT Business Development 17.10.24)

The acquisition has shifted EQT's focus from a broad sector coverage with regional expertise and local knowledge to having even more expertise in sub-sectors; an example is fin-tech and e-commerce instead of the broad sector technology. To become experts within sub-sectors required EQT to have global capabilities due to the globalization of companies' operations. It has been beneficial not only in terms of new investments in their funds but also when developing the portfolio companies. As the world is becoming more global, it is increasingly important for portfolio companies to expand operations geographically and understand different markets. The local knowledge of the different regions and the global network of advisors is believed to have contributed to the value creation in EQT portfolio companies and aligns with EQT's vision of being an active owner. It provides the teams with the opportunity to collaborate across regions and learn from each other, validating EQT's investment hypothesis that the compatibility

between the firms would be leveraged to create value.

The collaborative culture that has been achieved is believed by the companies to be a result of the cultural fit between the people in the firms and the consensus integration into the new firm. Thus, there was not a feeling of EQT taking exclusive decisions as a traditional top-down acquirer, but rather wanting to achieve an integration based on a common ground. This is explained by Adeline Wong, Head of HR at EQT Private Capital Asia:

" (...) I think there's a tremendous amount of mutual respect. That actually really matters a lot, and it triggered down the organization, how we work together as well, and all of that. And where it makes the collaboration easy, very quickly, was the fact that rather than feeling like we've been acquired and we need to kind of get integrated, it's almost like, "Hey, how do we collaborate to make the best out of this?" So I would say I couldn't emphasize enough the people element, the team culture fit, and people liking each other."

(Adeline Wong, Head of HR at EQT Private Capital Asia, 09.10.24)

In addition to leveraging on corresponding expertise and experiences, EQT and BPEA analyzed all work practices in the two firms and implemented best practices across both firms. This resulted in EQT implementing the exit and liquidity committee from BPEAs practices. The exit and liquidity committee is responsible for reviewing the portfolio's individual investments and liquidity needs, for instance, when to raise additional capital or consider an exit to ensure disciplined portfolio management. The deal team that previously had made these decisions could have a biased opinion with a preference for holding investments longer due to an over-optimism in deals they have made. Having a separate committee reviewing was believed by BPEA to enable an objective assessment of the portfolio to optimize exits and liquidity.

EQT additionally implemented the Bearings Mobility System (BMS), a specialized team focusing solely on the post-acquisition implementation of the portfolio companies to effectively mobilize the firm. The team implements operational changes quickly and efficiently, ensuring the portfolio company gets the right advisors and industrial expertise to help implement value-creation initiatives and drive growth. By implementing this system into EQT's operation, they claim to have improved the post-acquisition processes and experienced a greater value creation potential as an owner.

5.7.2 Strategic Growth and Geographic Expansion

Although the EQT and BPEA have integrated successfully, and adopted best practices from the two entities, the decentralized model has enabled alignment with the local-with-local strategy and leveraging the knowledge in each region. EQT had a small presence in Asia before the acquisition but never got any traction. However, following the acquisition, EQT grew significantly in the Asian region and gained a larger understanding of the opportunities and challenges in the region. The acquisition allowed EQT to utilize BPEA's resources and expertise, enabling more efficient assessment of investments. This therefore made EQT more comfortable investing in companies that previously have been perceived as too risky or unfamiliar. The quick development of their Asian private capital pillar has given the firm a strong position in the market. This position would take EQT many years to achieve through an organic growth.

5.7.3 Digital Transformation and Sustainability Integration

Two key EQT expertise areas that created significant value for BPEA's business were digital transformation and sustainability integration. The acquisition enabled BPEA to leverage EQT's digital resources and knowledge in sustainable investing in their business line. By gaining EQT's expertise in these areas, BPEA advances their development in these areas significantly faster. BPEA has increased their sustainability team and built the capabilities from merely sustainability reporting to working with sustainability to initiate change in the portfolio companies. In the same way, EQT has influenced BPEA to work with digital initiatives to create value within portfolio companies.

5.7.4 Cross-Selling Opportunities and Investor Base Expansion

The acquisition also generated revenue synergies in terms of LP base expansion, as it provided the firm with a broader pool of LPs. BPEA contributed to more than one hundred new LPs for EQT, with an established relationship with the BPEA management. The fact that EQT and BPEA had a strong footprint in different geographical regions enabled EQT to access established Asian-focus LPs to complement its established network of European and US LPs. According to EQT, reputation is an important competitive factor in the industry, and through the acquisition, the two companies could leverage each other's reputation and resources in the different regions. This enabled the combined firm to present a more comprehensive global platform, strengthening LPs' confidence. Accessing LPs and creating confidence in a new region is difficult and time-consuming. The acquisition enabled a substantially faster expansion of the LP base than the firms would have been able to through organic growth in respective regions. Additionally, the acquisition has enabled EQT to expand its offerings to its LPs, fulfilling more

investment demands of Asian investments and therefore being able to manage larger parts of LPs' allocations. The cross-selling possibility has, therefore, quickly created increased fundraising opportunities and an enhanced capital inflow for the combined company.

6. Discussion

In the following section, we discuss the research questions that were introduced in the introduction. The discussion is based on the interviewees' and authors' reflections, while our main conclusions, which can be drawn from the discussion, are presented in section 7.

6.1 EQT's perceived motivation

The first research question revolves around EQT's motivation behind their decision to expand in Asia through an acquisition instead of organically and the choice of BPEA as their target firm. It is presented as:

Why did EQT choose to expand in Asia, and what was the reason behind doing it inorganically through an acquisition of BPEA?

The literature review and interviews showed that the Asian market presented many opportunities for EQT, influencing their decision to expand in the region. The growth opportunities, as seen in Graphs 1 and 2, were found in the case to be especially important to EQT. The Asian PE market had furthermore experienced less market saturation than the European and US market, and was less developed, meaning that there were opportunities for EQT to penetrate the market. It was necessary to expand in the Asian market, which entailed exploiting the high growth opportunity and an unpenetrated market, where EQT could apply its expertise in terms of sustainability initiatives, digitalization, and other value-creation initiatives on a large asset base.

EQT furthermore aimed to become a top global player, mainly driven by the diversification effect it entails, as well as the economy of scope and scale possibilities to enhance revenue, giving the firm a competitive advantage. Bain (2023) explains in its industry report that strategic PE acquisitions are driven by the desire to expand AUM, leading to a need to explore new growth initiatives. It is particularly true for public firms since they are facing pressure from their public shareholders to grow AUM. The aforementioned can be explained by the literature of Metrick and Yasuda (2010) about economies of scale, which states that fund managers are able to increase fund size without requiring corresponding increased resources, thus a way to achieve revenue enhancement. The importance of scale is further supported by Bain (2022), stating that, although there has been a large increase in the number of active investors in Asia during recent years, the deal value is concentrated among the top 20 funds in the region accounting for more than 30% of

the deal value. Thus, although the number of regional competitors is growing, scale is a significant competitive advantage.

Revenue enhancement was furthermore believed to be achieved through economies of scope. Economies of scope is driven by revenue complementarity, brand image, and being able to offer "one-stop-shopping". Due to the complementary strengths and geographical operations, the acquisition of BPEA was aimed to increase revenue. The brand image was also an essential part of the rationale, as EQT argued that the established trusted organization that BPEA had built in Asia was a large benefit for expansion of the less known EQT brand in the region. Lastly, the expanded offerings to its LPs was, according to EQT, a competitive advantage desired to achieve by the acquisition. EQT believed the increased offering to its investors reduce complexity for the LPs and makes it possible to capture a larger part of invested capital per LP. This could be supported by Herring and Santomero (1990), who state that providing multiple offerings, consequently increasing economies of scope, leads to revenue enhancement. One can, therefore, argue that the decision to acquire BPEA can be explained by the theories of the importance of economies of scale and scope in the PE industry.

As EQT saw Asia as an advantageous market to expand in, they had to make a decision on how to expand. The previous literature of Ego (2022) on buy or build decisions states that firm size and the decision to acquire show a positive correlation, which is true in this case as EQT was a large PE firm already before the acquisition. EQT was furthermore public and had a high stock valuation during the initiation of the acquisition, which would make the acquisition more attractive according to literature by Shleifer and Vishny (2001) about stock market driven acquisitions. When the company believes that the stock price is highly valued, the authors claim that stocks provide a sound currency for acquisitions, thus being able to take advantage of mispricing on the market.

The complexity and substantial investments in human resources in a growth strategy is, according to Brouthers and Brouthers (2000) as well as Hennart and Park (1993), a further reason for deciding to acquire rather than grow organically to avoid having to develop and train new managers. This was a crucial reason for the BPEA acquisition as EQT primarily bought BPEA for its competence and kept the senior managers with high decision power in the Asian pillar of EQT. BPEA had substantial experience and knowledge of the market, which EQT believed would be difficult and time-consuming to build in a new market. It is particularly important in emerging markets like Asia, according to Sannajust and Groh (2023). If EQT would conduct organic growth, it would be additionally challenging, considering they would have to compete with the high-level experience of BPEA. Therefore, the importance of rapidly scaling up experienced human

resources made an acquisition more favorable in this case.

The private equity firms' previous experience is additionally a factor affecting the choice of growth strategy, as experience reduces uncertainty, and thus risk, with a strategy (Ego, 2022). Therefore, EQT's choice to acquire BPEA could be explained by their large international experience, including a greater investment and control, since EQT has experience of handling these risks from previous market entries. Experience within the specific country could also affect the PE firm's strategy, especially in countries with high country-specific risk. It was found in the case that EQT believed that the country-specific risks in Asia had constrained their capability of investing in certain investments due to the limited ability to assess the risks. BPEA's large experience was seen to be a capability EQT desired to possess. This is supported by López-Duarte and García-Canals (2002), who claim that when the country-specific risk is high, companies are more likely to choose a cooperative mode for expansion in the market. Sannajust and Groh (2023) also state that the lack of sufficient transaction experience in the market makes it more difficult for international investors to succeed in emerging markets. It could further help explain the cooperative view of the acquisition of BPEA, to exploit the experience of the BPEA organization.

When examining the external factors of the acquisition, literature of Ego (2022) would suggest that the larger the national cultural distance, the more common it to choose a partnership growth strategy rather than an acquisition. This decision of EQT does, therefore, contradict the theory. However, as EQT kept BPEA's decision-making decentralized from EQT and continued to operate with separate Asian funds, one could argue that the distance in culture had less effect than if BPEA was required to operate under a centralized EQT operation. Furthermore, although EQT is a European firm with a distinct culture from the Asian, BPEA emphasized the cultural similarity in operating in a region consisting of multiple different countries and cultures, and the need to adapt to this. Despite operating in separate cultures, the company culture between BPEA and EQT where highly similar, validated in the interviews, and proved to be a crucial element in the integration. According to Nielsen (2007) and Tihanyi et al. (2005), similar national cultures between companies increase trust, more efficient information flow, and organizational learning. These conditions were understood from the case study to have been fulfilled after the acquisition, regardless of coming from different national cultures. Thus, one can argue that the similarity in company culture, as well as the decentralized model, harmonized the challenge of differences in cultures between the countries the companies were operating in.

Regarding the microeconomic environment, research by Ego (2022) concludes that

market potential is an important factor affecting the growth strategy decision. According to the author, acquisitions allow for faster entry, which was an important reason behind the acquisition of BPEA. EQT believed it would take them around 10 years to achieve the position in the Asian market that the acquisition gave them. EQT wanted to quickly expand in the market to gain a strong position in an unpenetrated high-growth market in the near future. The author also stated that the higher the barrier to entry, competitiveness, and industry concentration, the higher the chance of acquisition. The competitiveness and industry concentration are discussed by Bain (2022), claiming that both conditions are considered high in the industry. Furthermore, the high importance of local knowledge could be considered as a high barrier to entry in the Asian market. This had previously made it difficult for EQT to gain traction in the market when entering organically. By acquiring a successful PE firm in the region, EQT could, therefore, overcome the challenge of high barriers to entry and enable the firm to quickly exploit the opportunities in the market.

Moreover, Ego's (2022) literature regarding decision-specific factors has concluded that acquisitions are favored when market knowledge or proximity is important, which was a crucial factor in the decision to acquire BPEA. Nevertheless, an acquisition entails a large risk and high one-time investment with integration and an acquisition premium, according to Lee and Lieberman (2010). Therefore, Kogut and Singh (1988) conclude that companies often choose organic growth for initial entry into the market to gain risk familiarization with the market and later develop a riskier strategy through an acquisition. This is true for the case of EQT as they entered the market in 2006 with the opening of an office in Hong Kong and continued its growth by an acquisition in 2022.

Furthermore, due to the nature of the PE business, where the aim, according to Døskeland and Strömberg (2018), is to create value through operational, governance, and financial engineering, one could argue that substantial knowledge of the distinct markets is important to be able to bring value to the portfolio companies and maximize engineering possibilities. By increasing its presence in a new market, EQT believed it could better support its existing portfolio companies with enhanced expertise by gaining broader knowledge of markets in different regions. In the interviews, the EQT management additionally stated that by expanding its branch with local knowledge of the Asian market, it could be leveraged to support its portfolio companies in other regions wanting to expand in Asia. Therefore, the extensive knowledge was believed to be a value enhancement in the EQT offering, driven a global presence and by economies of scope of an extended offering to its portfolio companies.

Additionally, there was an increased need for market proximity because of the different

cultures across the Asian region. EQT had to be locally present to create value in their investments, rather than pursuing cross-border investments from a small office in Hong Kong. When market proximity is important, firms tend to favor acquisitions to control the resources (Ego, 2022). This is further in line with the literature of Hammer et al. (2022) which states that the dealmaking and monitoring of the investments are more successful by being local. The organic growth of EQT in the Asian region, investing across the region without a physical presence or exhaustive experience, could be argued to contradict EQT's vision of being "local with local.". This investment philosophy required market proximity. The acquisition is thus in line with the literature, stating that acquisition is favored when market knowledge and proximity are important.

During the investigation of the decision to acquire BPEA, it became clear that the similarity of the culture, its operations, and its assets was an important factor that made EQT believe the acquisition would be successful. The credit function of BPEA was the sole asset that was believed to not fit with EQT's strategy, but as it was easily separated from the core business, it did not affect the acquisition decision. However, it was stated in the interviews that if BPEA would have had other functions that were not as easily separated, they would probably not have made the deal. Furthermore, EQT and BPEA believed the a large part of the value creation from the acquisition would be possible due to the similarity in culture and values between the two companies. This is, therefore, in line with the research of Ego (2022) on buy or build, which states that asset digestibility and similarity between the companies are crucial factors in an acquisition decision as it increases synergies and value creation possibilities in the acquisition.

Table 7: Key Findings regarding EQT's Perceived Motivation

- Asia presented a high-growth environment, and as EQT's mission is to become a leader within the PE industry, they had to expand in the Asian region to achieve their objective.
- EQT chose to expand in Asia through acquisition instead of growing organically as it would enable a quicker entry, and they would get instant access to local knowledge.
- BPEA became an opportunity for EQT, which was an ideal target due to their complementary strengths and substantial experience in the Asian region.

6.2 Approach to Mitigate Challenges That Arose

The second research question addresses the obstacles that EQT faced from when initial discussions of an acquisition started until today and how these obstacles were dealt with. The question is stated in the introduction as:

What challenges did EQT face during the acquisition process, and how were they mitigated?

The literature of Chen and Chen (2012) and the case highlighted primarily the complexity of acquiring a human capital intensive firm. Chen and Chen (2012) state that the insights of the employees are the main source of possible value creation, which according to Bain (2023) makes the integration crucial. Employee anxiety was a substantial difficulty that must be dealt with during the integration. If not properly handled, it could result in employee attrition and thus, according to Chen and Chen (2012), destroying the value of the acquisition.

To minimize employee anxiety, EQT committed considerable effort to the integration as it was believed by the firms to be a fundamental part of determining the success and value creation of the acquisition. EQT viewed employee anxiety as an opportunity for new perspectives rather than a threat, which is vital for improvement. To ensure a progressive change, the integration was divided into smaller, more manageable work streams, which facilitated a systematic approach and decreased employee uncertainty. The substantial work behind the integration could be explained by Bain (2023) that claims that a gradual integration is needed to achieve a desired combined business model. As EQT was buying people and their knowledge, it was critical that the firms were integrated seamlessly and that they retained key employees. The case revealed that some attrition occurred among the employees and that a few partners either relocated or left the firm. However, as this was a small fraction of the total human capital, it did not greatly affect the combined firm. The high retention rate can be claimed to be the result of EQT's work to minimize resistance and attrition by involving the employees in the process and creating intrinsic motivation to retain at the combined firm among the key talent.

Besides the complexity of the integration, valuing the synergies and the value creation the combined firm can achieve is difficult when acquiring a human capital firm, according to Chen and Chen (2012). A common mistake is to overestimate the synergy potential and, in turn, overvalue the company. It is therefore suggested by the authors to lower the expectations and valuation of the synergies, which aligns with EQTs reasoning regarding the valuation. EQT did not value the synergies; the valuation methods were rather used

to estimate an approximate price for BPEA. The actual price was instead determined through a bilateral agreement between the firms. The key aspect is that both firms believed in the strategic rationale and the greater value the firms could achieve when combined instead of continuing to operate as separate ones.

The challenge of information asymmetry in a HCIF firm, highlighted by Chen and Chen (2012), was further mitigated through the strong belief in the future combined entity, which the senior management of BPEA would be part of, and the fact that EQT used mainly a non-cash payment. Stock payment can, according to Chen and Chen (2012), mitigate the challenge of information asymmetry, as it aligns with the desire for a profitable deal. It was stated by EQT that the real value of the deal for the senior management of BPEA would be generated in the future. The lock-up period also required the target management to focus on the long-term value creation.

EQT experienced the challenge of a share price drop between the initial agreement of a number of shares and the completion of the deal. This was mitigated through the strong shared rationale of the acquisition and the payment in stocks, which, according to EQT, led to a long-term perspective of the acquisition and it potential to be accretive. It motivated the BPEA management to collaborate and continually want to complete the deal despite the drop in share price. Hence, the stock payment was a way to manage the challenge of motivating BPEA to collaborate and align the interest of achieving a long-term value of the acquisition. Moreover, as one can identify an overall decline in the stock price of competitors in graph 6, it could be argued that the value of PE firms has decreased, including BPEA, over the time period. This would motivate the continuation of the acquisition regardless of the decreased valuation of the firm following the initial agreement.

Table 8: Key Findings regarding EQT's Challenges

- The core value creation element of the acquisition was the retention of key employees; thus, the main challenge encountered was integrating the two HCIFs and addressing employee anxiety.
- Additional challenges included the valuation of BPEA and the potential synergies and information asymmetry.
- The challenges were mitigated through cohesive integration and the long-term perspective of the value the two firms could achieve as a combined entity.

6.3 Perceived Success Factors

The last research question, stated in the introduction, centers around key success factors that has been identified in the acquisitions. It is stated as follows:

What factors were found to have contributed to the perceived success of the acquisition?

Both companies have considered the acquisition of BPEA successful overall. This case study identifies multiple core contributors that can be used to guide future acquisitions. EQT and BPEA have achieved global cooperation and a collaborative view on the combined firm, where they are working together as one to achieve an aligned goal, which is highly challenging to achieve in a human capital intensive acquisition, according to research by Chen and Chen (2012). The compatibility of the companies, the aligned strategic rationale and trusted leadership, the collaborative integration, and the decentralized business model can be identified as the main factors driving the acquisition's success when examining the case study.

6.3.1 The Compatibility of the Companies

The similarity between the companies has been highlighted repeatedly during the study. As the two CEOs had a very similar mindset, they had built two similar companies in different parts of the world with the same management styles. When integrating the firms, even though changes were needed, the similarity in company culture made it easier to work together and align the two companies. This could be confirmed by the research done by Chen and Chen (2012), which concludes that aligned human resources are an important factor to realize synergies. It was highlighted during the interviews that a key learning from the acquisition was the benefits that arose due to the firm being similar already from the beginning.

Although the two firms were very similar in company culture, they also have complementary strengths in terms of expertise. The large global expertise made it possible for the combined firm to leverage expertise and evaluate risks and opportunities in different markets, hence enabled a broader investment range. The investment potential was further increased by the complementary pool of established LPs between the companies due to both firms' strong position as trusted investors in different markets. Furthermore, it was important for EQT to implement the best parts of each firm into the new combined firm. This increased the possibility of achieving synergies and has been an important part of the value creation after the combination, according to the two companies. They were operating with similar culture, which made the integration easier, however, with

complementary strengths, enabling synergy extraction.

6.3.2 Aligned Strategic Rationale and Strong Leadership

When examining the success of the acquisition of BPEA, it becomes clear that the strong motivation from BPEA to be acquired could be another strong reason why the acquisition has been so successful. Since there were several additional strategic benefits of being acquired, there were incentives for BPEA to collaborate and overcome the challenges of integration and valuation. However, if there were less strategic rationale from the target's perspective and rather a financial benefit for the senior management or a hostile takeover, one could argue that it would be much harder to motivate the employees to remain at the combined firm and to collaborate with EQT during integration. This employee attrition would lead to a destruction of acquisition value, according to Chen and Chen (2012). It would make human capital intensive M&A much more challenging since it is more difficult to control the human resources. Therefore, the acquirer must be able to build a desire to stay. In contrast, in physical capital intensive firms, the core assets are easier to control, and retaining employees has less of an effect on the value creation of the acquisition. The study also highlights the importance of the high trust of the senior management, which increased the employees' confidence in the acquisition's future success. As the belief displayed by the management regarding the benefits of the acquisition was claimed to have decreased employee anxiety and resistance, it can be suggested that the strong leadership and a shared desire to work together were important factors in this HCIF integration.

6.3.3 Collaborative Integration

The referral to the acquisition as a merger during the interviews demonstrates the shared vision and the mutual confidence in the combined firm. The similar culture and belief in the combination were argued by the firms to have facilitated the integration process and to reach a collaborative view of the acquisition. EQT implemented a collaborative integration where best practices were implemented from both firms into the newly combined firm, and the viewpoints of both firms were taken into consideration during decision-making to reach a consensus. An illustration of this is the quote of Adeline Wong in the case stating that there was never a feeling of BPEA being acquired and having to integrate fully into EQT, but rather a feeling of collaboration to gain the best out of the acquisition with large amounts of respect. EQT did not want to be viewed as an acquirer and exclusive decision maker over the entity but rather to make BPEA feel a part of a new journey. This suggests that the choice of integration strategy has paved the way for the collaborative culture experienced in the company today.

During the integration, EQT aimed to reach an "optimal level" of economic incentives versus future career opportunities to retain key talent. EQT was concerned that key employees would leave the combined entity when receiving high financial compensation. By offering them new high positions in the combined global firm and thus facilitating a career trajectory, EQT was able to motivate key employees to retain at the combined firm. This is supported by Bain (2023) who claims that a belief in the growth story of the acquisition is crucial to retaining key employees.

A further finding from the case was the effect the collaborative integration and global cooperation strategy has had on the synergy extraction and value creation of the deal. The strong motivation of the management to collaborate can be argued to be a result of a stock acquisition, according to Shleifer and Vishny (2001). The authors claim that stock acquisition increases managers' incentive to realize synergies as it contributes to short-term and long-term returns. The collaborative culture achieved in the combined firm has facilitated a stronger transfer of knowledge between the firms, which, according to Youndt and Snell (2020), is vital for improving organizational performance. Chen and Chen (2012) claim this is often difficult to achieve in a HCIF acquisition and that it requires efficient communication to articulate and transfer the knowledge between the two firms in an HCIF integration. The case illustrates how EQT and BPEA have achieved efficient communication through cooperation in deals, where teams in different sectors and regions share experiences over calls and meetings. The strong ability to learn from each other and adapt demonstrates a high absorptive capacity in the organization, according to Hoffmann & Schaper-Rinkel (2001). Having a high absorptive capacity is a condition that favors an acquisition, according to the authors, and could, therefore, help explain the perceived success of the deal. This has enabled the combined firms to leverage each other's strengths, leading to a potential for higher combined value than separate firms' stand-alone value. Therefore, the case highlights the importance that integration and a collaborative culture have on the future value creation and synergies of the acquisition.

6.3.4 Decentralized Business Model

Although this acquisition was challenging due to the fact of being two HCIFs, the integration needed was limited due to a decentralized organization. The large geographic distance between the sites and decentralized decision-making regarding the Asian funds and EQTs' previous funds resulted in BPEA operating fairly independently and with high decision power following the acquisition. This likely limited the challenges of integrating the two HCIFs. Additionally, decentralized decision-making was believed to have contributed to a more seamless post-acquisition operation, with high retention and high employee motivation. The largest integration was the former Asian team at

EQT, which became part of the BPEA organization, thus implying a somewhat reverse integration. It was found in the case study that it was this Asian EQT team that was the most negatively affected, with the highest resistance and attrition. Therefore, one could argue that if the former EQT team in Asia had been larger or the integration had been in the same geographic region as their core business, the challenges would have been substantially larger. Thus, the case suggests that the limited level of required integration and the continued autonomous operation of the target mitigated the challenges of acquiring a human capital intensive firm.

The decentralized business model was found in the study to have allowed for increased incentives for BPEA, generating high retention and employee motivation. This is explained by Aghion and Tirole (1997) to be due to the target obtaining key insights to the firms' activities and pay-off with a decentralized structure. Nevertheless, there is a trade-off with loss of control, according to the authors. The loss of control could be argued to be a reputational risk for EQT, as EQT has mentioned in the interviews that reputation is an important competitive factor. The decision to implement a decentralized decision-making does, however, comply with the authors' conclusion that a principal (EQT in this case) are more likely to delegate decisions in areas where the principal has high trust in the agent (BPEA in this case) and where the principal does not have as much expertise. In the case of BPEA, EQT acquired the company because of the expertise of the Asian market, which EQT was lacking. Therefore, it can be suggested from previous literature that the decision of implementing the decentralized structure can have contributed to an increased motivation for BPEA and a way to exploit the local knowledge.

Table 9: Key Findings regarding Perceived Success Factors

- Similarity in company culture and complementary strengths between the two companies increased the possibility of achieving synergies and creating long-term value.
- Strong leadership, combined with confidence in the combined entity and a desire to work together, enabled a seamless integration.
- A collaborative integration enabled knowledge transfer between HCIFs.
- A decentralized structure limited the challenges of an integration as BPEA operated fairly independently post-acquisition.

7. Conclusion

7.1 Concluding Remarks

Strategic acquisitions of PE firms represent an increasing phenomenon. The thesis presents a case study of EQT's acquisition of BPEA to provide an enhanced understanding of this phenomenon and inform future decisions. The study found that the rationale behind the acquisition, rather than continuing the organic growth, was to quickly gain a stronger position in a high-growth market and acquire substantial market knowledge. EQT's goal to become the no. 1 private equity firm globally and its strategy of being "local-with-local" in all investments required a larger presence in Asia and increased local knowledge. BPEA was believed to be the optimal target due to its large market experience, as well as the cultural and operational compatibility.

The literature regarding acquisitions of human capital intensive firms suggests that it is challenging, yet crucial for value creation, to integrate and retain employees. EQT initially met concerns but managed this through a collaborative and transparent integration process. The acquisition was treated as a combination between the firms rather than a traditional top-down acquisition, where BPEA was included in the decision-making process and practices were implemented from both firms. The willingness to cooperate was based on a strong belief in the value creation when combining the firms rather than operating separately, aligning the interests of the firm. This led to high retention of key employees in the firms and resulted in a collaborative culture between the firms, which were key contributors to the acquisition's interpreted success and was argued to have enhanced the synergy extraction of the deal. Another source of synergy was the complementary strengths and expertise from operating in different markets, which they could leverage in the combined firm. This enabled revenue enhancement, driven by both economies of scale and scope in terms of increased fund size, multiple offerings, and LP base expansion. Lastly, the study concluded that the geographical distance, as well as the decentralized decision-making, limited the degree of integration needed, therefore limiting the challenges of integrating two HCIF firms. In conclusion, although a cross-border and human capital intensive acquisition is challenging according to previous literature, there were multiple favorable circumstances in this case that contributed to the perceived success.

7.2 Limitation of Thesis and Areas for Further Research

The thesis presented the rationale, challenges, and insights that can be drawn from EQT's acquisition of BPEA. However, the scope and methodology used limit the thesis, providing opportunities for further research within the area.

The first limitation identified revolves around the interviews held. Considering that the case study is solely based on interviews with persons within EQT and BPEA who hold senior positions and have had a significant role in acquisition and integration, the thesis is subject to interview bias. There is a possibility that the interviewees only want to highlight the positive aspects of the acquisition and exclude sensitive details, especially considering that EQT is a listed company. Therefore, the case study is limited by the undesire to discuss negative information about the acquisition. This probes for further analysis of the acquisition by including external stakeholders that may have had another view of the process and result than the interviewees.

Given that the acquisition happened fairly recently, the brief period during which the firms have operated as a combined firm is another limitation that must be considered. The acquisition and its integration have as of now been seen as value-enhancing. However, it is ahead of time to draw conclusions about the long-term synergies and value creation. For that reason, continued assessment of the acquisition in the future is highly relevant and a possibility for further research.

Finally, a further limitation is regarding the scope of the study. As the thesis only covers one acquisition, any generalization regarding strategic acquisitions of PE firms or the PE industry can not be made. Furthermore, as a limited number of similar transactions have been made, it eliminates the possibility of comparing and validating the transactions to similar ones in the industry. Further research of similar transactions is, therefore, possible and can create additional opportunities for supplementary research to compare M&A within the PE industry. This enables the research area to evolve from a qualitative view and enhance it with quantitative studies as the number of strategic acquisitions in the PE industry has increased enough to reach significance from data. Therefore, we encourage other academic students and professionals to complement our case study with suggested research.

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9. Appendix

Appendix 1: EQT Income Statement

MEUR	**2022**	**2021**
Management Fees	1,328.5	1,085.7
Carried Interest and Investment Income	168.8	510.3
Total Revenue	**1,497.3**	**1,596.0**
Personnel Expenses	-501.5	-364.6
Acquisition Related Personnel Expenses	-200.8	-62.0
Other Operating Expenses	-288.9	-199.3
EBITDA	**506.1**	**970.2**
Depreciation & Amortization	-43.8	-37.5
Amortization of Acquisition Related Intangible Assets	-153.6	-54.8
EBIT	**308.7**	**877.9**
Net Financial Income and Expenses	-45.6	0.0
Profit before Income Tax	**263.1**	**877.9**
Income Taxes	-86.9	30.8
Net Income for the Period from Continuing Operations	**176.2**	**908.7**
Net Income for the Period from Discontinued Operations	0.1	0.7
Net Income	**176.3**	**909.4**

Appendix 2: EQT Balance Sheet

MEUR	31.12.2022	31.12.2021
ASSETS		
Non-Current Assets		
Goodwill	2,172.2	836.1
Other Intangible Assets	3,624.7	717.8
Property, Plant & Equipment	170.5	147.3
Financial Investments	668.4	477.9
Other Financial Assets	40.4	34.1
Other Non-Current Assets	15.2	15.1
Deferred Tax Assets	110.2	131.5
Total Non-Current Assets	**6,801.5**	**2,359.8**
Current Tax Assets	29.4	13.0
Accounts Receivable and Other Current Assets	350.4	204.7
Accrued but not yet Paid Carried Interest	915.0	472.9
Acquisition Related Prepaid Personnel Expenses	791.0	194.1
Other Prepaid Expenses and Accrued Income	70.4	59.4
Cash and Cash Equivalents	644.9	587.9
Total Current Assets	**2,801.1**	**1,531.9**
TOTAL ASSETS	**9,602.6**	**3,891.7**

MEUR	31.12.2022	31.12.2021
EQUITY AND LIABILITIES		
Equity		
Share Capital	11.2	9.4
Other Paid in Capital	5,593.2	1,763.9
Reserves	-220.4	52.7
Retained Earnings including Net Income	1,014.7	1,116.8
Total Equity Attributable to Owners of the Parent Company	**6,398.7**	**2,942.8**
Non-Controlling Interest	-	-
Total Equity	**6,398.7**	**2,942.8**
Liabilities		
Non-Current Liabilities		
Interest-Bearing Liabilities	2,017.4	496.1
Lease Liabilities	100.1	95.4
Deferred Tax Liabilities	405.3	0.7
Total Non-Current Liabilities	**2,522.9**	**592.2**
Current Liabilities		
Lease Liabilities	31.4	22.5
Current Tax Liabilities	40.4	53.3
Accounts Payable	15.8	8.0
Other Liabilities	94.8	34.2
Accrued Expenses and Prepaid Income	498.6	238.6
Total Current Liabilities	**681.0**	**356.7**
Total Liabilities	**3,203.9**	**948.9**
TOTAL EQUITY AND LIABILITIES	**9,602.6**	**3,891.7**

Appendix 3: EQT Cash Flow Statement

MEUR	2022	2021
Cash Flows Operating Activities		
Operating Profit (EBIT)	308.7	877.9
Adjustments		
Depreciation and Amortization	197.4	92.3
Changes in Fair Value	-5.9	-73.3
Foreign Currency Translation Differences	-14.2	8
Other non-cash adjustments	213.4	73.3
Recorded, yet not Paid Carried Interest	-162.9	-437.0
Paid Carried Interest	190.3	155.8
Increase (-) / Decrease (+) in Accounts Receivable and Other Receivables	- 96.6	-148.3
Increase (+) / Decrease (-) in Accounts Payable and Other Payables	18.1	105.8
Income Taxes Paid	-99.2	-46.3
Net Cash from Operating Activities	**549.2**	**608.2**
Cash Flows Investing Activities		
Investment in Intangible Assets	-0.2	-
Acquisition of Property, Plant & Equipment	-30.8	-11.5
Investments in Financial Investments	-86.6	-488.2
Proceeds from Disposals of Financial Investments	26.2	252.7
Interest Received	6.7	0.6
Consideration Paid net of Acquired Cash	-1,455.5	-631.6
Investment in Non-Current Assets	-7.2	17.3
Net Cash from (+) / used in (-) Investing Activities	**-1,547.6**	**-895.2**

Cash Flows Financing Activities		
Dividends Paid	-291.0	-233.9
Repayment of Borrowings	-23.9	-256.7
Proceeds from Borrowings	1,483.1	496.0
Payment of Lease Liabilities	-14.2	-17.5
Interest Paid	-8.7	-8.0
Share Issues	-0.1	-0.2
Net Cash from (+) / used in (-) Financing Activities	**1,145.0**	**-20.3**
Net Increase (+) / Decrease (-) in Cash and Cash Equivalents	**146.7**	**-307.3**
Cash and Cash Equivalents at the Beginning of the Period	587.9	878.0
Foreign Currency Translation Differences	-89.6	17.2
Cash and Cash Equivalents at the End of the Period	**644.9**	**587.9**

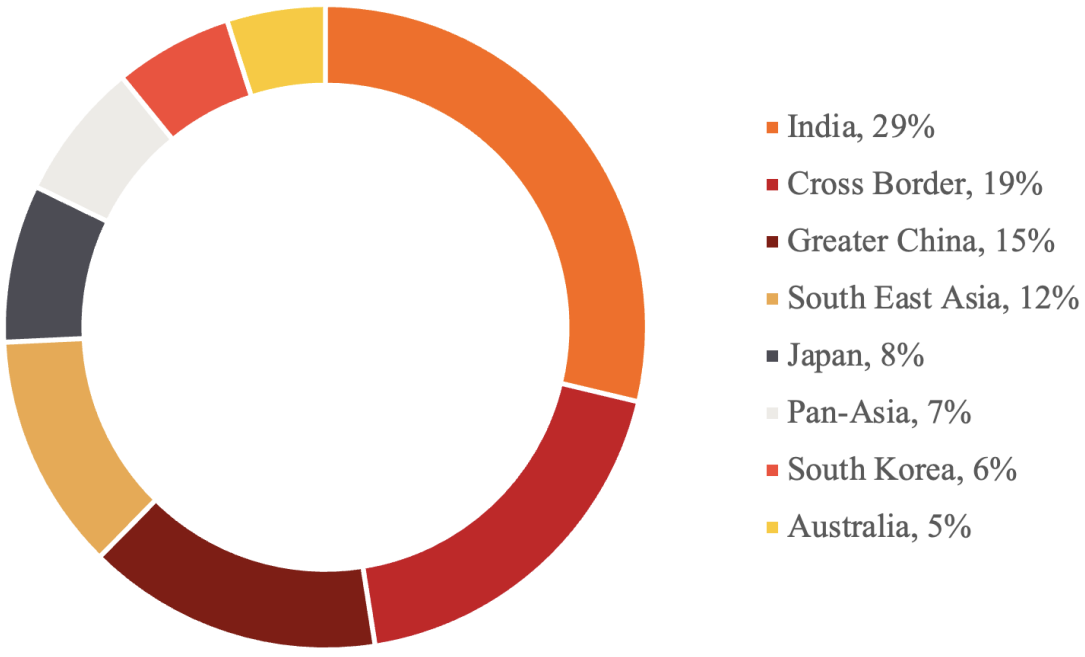
Appendix 4: BPEA's Funds at the Time of the Acquisition

Fund	Vintage	Fund Size ($bn)	AUM ($bn)	EQT Carried Interest
Private Equity Funds				
Fund V	2011	2.5	1.6	-
Fund VI	2015	4.0	3.1	25%
Fund VII	2018	6.5	4.6	35%
Fund VIII	2021	n.a.	n.a.	35%
Real Estate Funds				
RE Fund I	2015	0.4	0.2	-
RE Fund II	2018	1.0	1.0	-
Logistics Co-Invest	2021	1.0	0.3	-

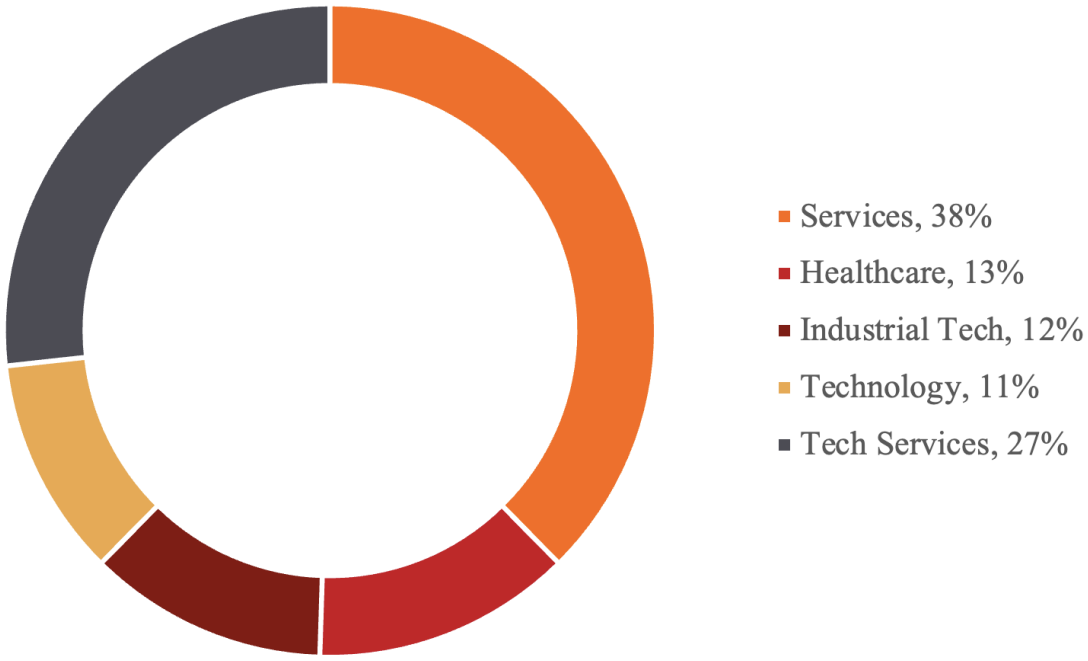
Appendix 5: BPEA's Key Financials 2019-2021

	2019	2020	2021
AUM (EURbn)	11.3	10.7	17.7
Revenue (EURm)	215	227	309
of which management fees	*215*	*222*	*236*
EBITDA (EURm)	117	129	206
EBITDA Margin (%)	54%	57%	67%

Appendix 6: BPEA EQT Invested Capital by Geography post Acquisition (2022)



Appendix 7: BPEA EQT Invested Capital by Sector post Acquisition (2022)



Appendix 8: EQT Presence in Asia post Acquisition (2022)

