From market anchor to committed bid: How PE deal teams handle risk in multiples-based valuation

A qualitative study of Swedish buyout firms

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Abstract

Private equity (PE) practitioners rely on multiples-based valuation to price acquisitions, yet multiples contain no designated parameter for firm-specific risk (Damodaran, 2005), and no established method exists for translating a specific deal risk into a specific price adjustment. This thesis examines how PE deal teams handle risk when moving from a peer-derived starting range to a committed bid in multiples-based valuation. Because a majority buyout gives the buyer control over the target, the deal team has access not only to the valuation itself but to a broader set of mechanisms through which risk can be addressed. Drawing on 19 semi-structured interviews across four PE firms and one fund-of-funds investor in the Nordic mid-market, the qualitative study finds that practitioners distribute risk across a repertoire of mechanisms that extends beyond the multiple itself, including forecast revisions, required return changes, earnouts, seller reinvestment, and deal abandonment. As due diligence progresses, the valuation shifts to a buyer-specific frame in which risk is conceived in terms of what the buyer can do about it. Risks are routed based on quantifiability, controllability by the seller, and presentability, following a threshold logic of absorption, adjustment, or abandonment. Because no formal process reconciles adjustments across channels, commitment rests on conviction staked individually and tested at the investment committee. Using sensemaking theory as an analytical lens, the thesis interprets these practices as a connected judgment process in which each mechanism choice reshapes the conditions for the next. The study contributes to the accounting and valuation literatures by suggesting that the discretion valuation guidelines leave open may reflect the nature of the assessments practitioners face rather than a gap waiting to be filled, by showing that mechanism choice feeds back into the risk assessment itself, and by identifying routing factors and threshold logic not, to our knowledge, previously documented in the acquisition risk-management literature.

Keywords:

Private equity, valuation, multiples, risk, sensemaking, judgment, deal structuring

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1. Introduction

Private equity (PE) firms invest by acquiring companies, improving them, and selling them at a profit. Valuing the target is central to this process, and the dominant tool is the ratio of enterprise value to earnings before interest, taxes, depreciation and amortisation (EV/EBITDA). The multiple is derived from what comparable companies trade at and applied to the target's earnings to produce a price range. Around 72 per cent of PE investors report using comparable company EBITDA multiples as a deal evaluation metric (Gompers, Kaplan & Mukharlyamov, 2016). The method is intuitive and widely used, but it comes with a problem: multiples provide a market reference point, not a target-specific answer, and the adjustments needed to apply them to a specific company are inherently imprecise. The industry's own valuation guidelines instruct practitioners to adjust multiples for deal-specific factors such as size, growth rate, risk, and competitive position, but prescribe no formula for sizing those adjustments, acknowledging that private capital valuation is inherently subjective and requires professional judgment (IPEV, 2025). As such, it is up to the practitioners to bridge the gap between a peer-derived range and a specific price.

This gap is wider than it first appears. A PE deal team does not simply adjust a multiple. It can revise the operational forecast, change the required return, introduce an earnout, require the seller to reinvest, adjust the EV-to-equity bridge, or walk away from the deal entirely. Each of these mechanisms can express a risk assessment, and each changes the conditions under which the others are evaluated. The question practitioners face is therefore not only how much to adjust but where the adjustment should go, across a set of valuation inputs and deal-structure terms that are interconnected in practice. Because multiples contain no designated parameter for firm-specific risk (Damodaran, 2005) and the mechanisms are substitutable in practice, the same risk can in principle be routed to different channels depending on judgment about the deal as a whole.

Prior research has examined individual pieces of this process. The valuation literature has documented the imprecision of multiples and the judgment required to apply them (Plenborg & Pimentel, 2016; Bhojraj & Lee, 2002; Liu, Nissim & Thomas, 2002). Survey evidence shows that PE practitioners rely on multiples alongside IRR analysis and report a range of value creation activities (Gompers et al., 2016). The M&A literature has studied contractual mechanisms individually: earnouts as responses to adverse selection (Datar, Frankel & Wolfson, 2001), found to be more common (Cadman, Carrizosa & Faurel, 2014) or larger (Cain, Denis & Denis, 2011) in high-uncertainty deals, seller financing as a response to information asymmetry (Jansen, 2020), and auditor monitoring shown to shape the design of accounting-based earnouts (Allee & Wangerin, 2018). Patschureck, Sommer and Wöhrmann (2015) bring contractual mechanisms together and observe that they may substitute or complement each other. But to our knowledge, no study has examined how practitioners handle risk across the full range of available mechanisms,

both contractual and non-contractual, or how they reach a basis for commitment when no calculation can tell them the adjustment is complete. This thesis addresses that gap. Drawing on 19 semi-structured interviews with practitioners across four PE firms and one fund-of-funds investor in the Nordic mid-market, it asks:

How do PE deal teams handle risk when moving from a peer-derived starting range to a committed bid in multiples-based valuation?

The findings show that practitioners handle risk not through any single adjustment but by distributing it across valuation-model inputs, contractual terms, and deal-structure decisions, navigating across these as an interconnected repertoire. The peer-derived multiple provides an initial anchor, but as due diligence progresses, the valuation shifts to a buyer-specific frame in which risk is conceived in terms of what the buyer can do about it. Within this frame, risks are routed to different mechanisms based on their quantifiability, controllability by the seller, and presentability in negotiations. Risks below a materiality threshold are absorbed; risks that cross it trigger explicit adjustment; risks too large to price trigger abandonment. Because no formal process reconciles these adjustments across channels, the process terminates when the deal team constructs sufficient conviction to stake individual reputation on the case before the investment committee.

We interpret these findings through sensemaking theory (Weick, 1995), which provides a process lens for understanding how practitioners construct, revise, and sometimes abandon investment cases under uncertainty. Three of its core ideas are central to this interpretation: that mechanism choice reshapes the conditions under which the case is evaluated, that commitment rests on plausibility rather than calculable certainty, and that the investment case can collapse beyond repair when no available mechanism can restore it.

The thesis contributes to the accounting and valuation literatures in three ways. First, it suggests that the absence of formal methods for calibrating deal-specific risk adjustments in PE deal pricing is not simply a gap in current practice. Our findings show that practitioners can describe what a precise method would require, but describe it as impractical because deal-specific risks do not present as isolated factors that can be decomposed and individually sized. The discretion that valuation guidelines such as IPEV leave open may therefore reflect the nature of the assessments practitioners face rather than a shortcoming waiting to be resolved. Second, it extends the literature on how valuation is practised by showing that in PE deal-making, the choice of how to handle a risk feeds back into the valuation itself. Because the available mechanisms are interconnected, routing a risk to one channel changes the conditions under which the rest of the case is evaluated. Prior research tends to treat mechanism choice as a response to a completed risk assessment; our findings suggest the two develop together. Third, it extends research on contractual risk management in acquisitions by identifying three

factors that shape how practitioners route risk to specific mechanisms (quantifiability, controllability, and presentability). It also documents a threshold logic (absorption, adjustment, abandonment) that, to our knowledge, has not been described in the existing literature on risk management in acquisitions.

The remainder of this thesis is structured as follows. Section 2 reviews prior research on multiples-based valuation, mechanisms for handling deal-specific risk, and how professionals in adjacent settings reach commitment under uncertainty, before introducing sensemaking as the analytical framework. Section 3 describes the research design, data collection, and data analysis. Section 4 presents the empirical findings, organised around three themes: the peer-derived anchor and the shift to a buyer-specific frame, how risk enters pricing, and the integration of risk assessments. Section 5 discusses the findings through the sensemaking framework and states the contributions. Section 6 concludes with limitations and suggestions for future research.

2. Theory

This section is organised as follows. Section 2.1.1 reviews prior research on multiples-based valuation, the nature of the judgment it requires, and the structural role of the leveraged buyout (LBO) model. Section 2.1.2 examines the mechanisms through which deal-specific risk can be handled beyond the multiple itself. Section 2.1.3 reviews research on how professionals in other settings reach commitment when calculation alone cannot provide an answer, and narrows toward the gap this thesis addresses. Section 2.2 introduces sensemaking as the analytical framework.

2.1. Previous literature

2.1.1. Multiples valuation, judgment, and the limits of market anchoring

PE practitioners rely heavily on multiples-based valuation. In a survey of 79 PE investors managing more than $750 billion in combined assets, Gompers et al. (2016) find that around 72 per cent use comparable company EBITDA multiples as a deal evaluation metric. The International Private Equity and Venture Capital Valuation Guidelines (IPEV, 2025), which set out the industry standard for how PE and venture capital (VC) funds measure the fair value of their portfolio investments, instruct practitioners to adjust multiples for deal-specific factors such as size, growth rate and competitive position. However, they prescribe no formula for sizing those adjustments, acknowledging that private capital valuation is inherently subjective and requires professional judgment. Although the guidelines are directed at fair value reporting rather than bid construction, they illustrate the central problem of this section: multiples are uncertain and require judgement. Damodaran (2005), writing about equity analysts in public markets, observes that risk[1] adjustment in multiples-based valuation "can range from being nonexistent, at worst, to being haphazard and arbitrary, at best" (p. 39). The observation concerns a structural feature of the method itself: multiples contain no designated parameter for firm-specific risk.

Plenborg and Pimentel (2016) synthesize empirical findings into best-practice recommendations for applying multiples, for practitioners such as analysts and investment bankers. They identify eight implementation decisions in any multiples-based valuation: peer group selection, choice of value driver, use of reported versus expected earnings, method of averaging, accounting differences across firms, normalisation of earnings, adjustment for size effects, and the illiquidity discount and the control premium. Each of these decisions introduces a point at which the practitioner's judgment shapes the

[1] Sections 2.1.1 and 2.1.2 use "risk" as the term appears in the valuation and transaction literatures. Section 2.1.3 introduces the distinction between risk and Knightian uncertainty and clarifies the usage adopted in the remainder of the thesis.

valuation output. Bhojraj and Lee (2002) show that peer selection materially affects valuation accuracy and note that practitioners describe the selection of comparable firms as 'an art form' (p. 408). Their own systematic approach, which selects peers based on variables identified by valuation theory, outperforms industry-based selection, demonstrating that the subjectivity can be reduced. But even this approach requires prior judgment about which economic variables to use as matching criteria, and their finding that different selection methods produce materially different valuations confirms that the choice is consequential regardless of how it is made.

The eight decisions Plenborg and Pimentel (2016) identify apply to any multiples-based valuation, but the empirical evidence on how much imprecision these choices produce comes primarily from public equities, where data is comparatively abundant. Even there, the imprecision is substantial: Liu et al. (2002) find that the best-performing multiples produce pricing errors exceeding 15 per cent of stock prices for roughly half of all firms in their sample. For privately held targets, additional challenges arise. Borysoff, Mason and Utke (2024), in a guide to PE research for accounting scholars, identify several features that distinguish the PE setting, including the absence of continuously quoted market prices to anchor valuations and the illiquidity of the acquired assets. If multiples-based valuation produces substantial imprecision even in public markets with abundant data, these features suggest the peer-derived range is an even less reliable starting point in the PE setting.

The literature thus shows that judgment enters at multiple points in a multiples-based valuation, that the resulting imprecision is large even under favourable conditions, and that multiples contain no prescribed place for firm-specific risk. But this evidence concerns the method itself, or the judgments of practitioners operating in public markets. It does not examine how that judgment operates in PE deal-making, where the buyer aims for control over the target and access to a broader set of mechanisms for handling risk.

Imam et al. (2008), studying UK sell-side and buy-side analysts, find that practitioners' own subjective assessments shape the valuation conclusion, with formal models such as discounted cash flow (DCF) used to cross-check or communicate a view already formed. The authors observe that when analysts use price-earnings multiples, they are often assessing what price the market will accept rather than calculating an underlying value. Imam et al. describe this as a judgment of what "feels right" (p. 522). These are analysts assessing market sentiment and price expectations, not deal teams constructing an investment case for a specific acquisition. However, the finding that the practitioner's interpretation drives the conclusion, rather than the model, suggests a dynamic that may also operate in PE, where multiples are the dominant valuation tool (Gompers et al., 2016).

A majority PE buyout gives the buyer control over the target. With control comes the ability to change the business: to restructure operations, replace management, or pursue

a different strategy. Gompers et al. (2016) find that PE investors report a range of value creation activities, including increasing revenue, reducing costs, making additional acquisitions, and replacing management, which suggests that the valuation question is shaped not only by what comparable companies trade at, but also by what the buyer plans to do with the business. As due diligence progresses and the deal team develops its investment case, the valuation question may therefore shift from what the target is worth relative to comparable companies to what it is worth to this specific buyer.

Research on anchoring suggests that if such a shift does occur, the original market reference would not disappear. Kaustia, Alho and Puttonen (2008), studying anchoring effects among 300 Scandinavian financial market professionals, find that expertise reduces but does not eliminate anchoring, and that professionals are not conscious of the impact that initial reference values have on their estimates (see also Tversky & Kahneman, 1974). Although their study concerns stock return forecasts rather than deal pricing, the finding suggests that the peer-derived range may continue to constrain what feels reasonable even as the deal team develops its own view.

Gompers et al. (2016) also find that PE investors rely on internal rates of return alongside multiples. In practice, the IRR is calculated through an LBO model that integrates the deal team's assumptions about entry price, operating forecast, capital structure, and exit value into a single return measure. In PE, the multiple does not operate in isolation. It is one input to an LBO model in which entry price, operating forecast, capital structure, exit assumption, and required return are mechanically linked. Because these inputs feed into the same model, changing one changes the conditions under which the others are evaluated: a lower growth assumption changes not only the forecast, but also what exit multiple is defensible, which in turn changes the return at any given entry price. This interdependence means that a deal-specific risk can, in principle, be expressed through any of several model inputs rather than through a single designated parameter.

2.1.2. Beyond the multiple: mechanisms for handling deal-specific risk

Beyond the valuation itself, the literature has documented a range of mechanisms through which deal-specific risk can be addressed. In VC, Kaplan and Strömberg (2004) find that the types of risk investors identify in their internal analyses are associated with specific contractual features, including the allocation of cash flow rights, control rights, and liquidation rights between VCs and entrepreneurs. The mergers and acquisitions (M&A) literature follows a broadly similar logic, though each mechanism has been studied in isolation: earnouts have been modelled as responses to adverse selection (Datar et al., 2001) and found to be more common (Cadman et al., 2014) or larger in high-uncertainty deals (Cain et al., 2011), seller financing has been associated with information asymmetry (Jansen, 2020), and auditor monitoring and verification have been shown to shape the design of accounting-based earnouts (Allee & Wangerin, 2018). In each case, the

mechanism is studied on its own and explained by the specific information problem or uncertainty that motivates its use.

Patschureck et al. (2015), in a systematic assessment of contractual risk management tools in acquisitions, bring these individual mechanisms together and observe that they may have substitutive or complementary effects: a seller may resist extensive warranties on top of earnouts to avoid being burdened twice, and the buyer's ability to implement any mechanism is ultimately constrained by the seller's bargaining power. Patschureck et al. (2015) note that prior studies examine these instruments mainly in isolation, and that their interdependencies remain largely unexplored. How PE practitioners select from among this full range of mechanisms, and on what basis they commit to one configuration rather than another, has not been examined.

Moreover, the contractual mechanisms that Patschureck et al. map are only part of what PE practitioners may use. In a PE deal, the buyer can also revise the forecast, change the required return, or walk away from the deal entirely. These non-contractual responses have not been studied alongside the contractual mechanisms.

2.1.3. How professionals commit under genuine uncertainty

Knight (1921) distinguishes between risk, where outcomes can be grouped into classes of sufficient similarity to permit a quantitative estimate of probability, and uncertainty, where the situation is sufficiently unique that no such grouping is possible: 'there is no possibility of forming in any way groups of instances of sufficient homogeneity to make possible a quantitative determination of true probability' (p. 231). A PE deal combines a specific target, buyer, market environment, and deal structure in a way that no prior deal exactly replicates. While practitioners draw on experience from earlier transactions, many of the assessments they must make resist probabilistic estimation because the relevant configuration is singular. When the uncertainty is Knightian rather than quantifiable, calculation alone cannot determine the price. The question becomes how practitioners reach a basis for commitment despite the absence of a calculable answer.

We use "risk" when reporting practitioners' own language and when referring to specific concerns identified in due diligence. When describing the analytical conditions under which judgment operates, we refer to uncertainty in Knight's sense. Many of the concerns practitioners call "risks" involve genuine uncertainty by this definition.

In the accounting literature, the question of how professionals reach a conclusion when certainty cannot be achieved has been examined under the heading of comfort. Pentland (1993), in a field study of two audit engagements, finds that auditors at all levels describe their work in terms of comfort rather than assurance: comfort is produced through social interaction within the team hierarchy and expressed in the signed audit opinion. Carrington and Catasús (2007), also studying audit practice, show that comfort is

produced through the active identification and removal of specific discomforts: the audit is complete not when all discomfort is eliminated but when the remaining discomforts are judged acceptable. Both studies examine professionals who assess rather than invest: auditors commit to an opinion, not to a deployment of capital. The available actions and the economic exposure differ from the PE setting. But the underlying challenge is the same: reaching a point where the practitioner is confident enough to act despite remaining uncertainty.

A related literature in the sociology of finance reaches a similar conclusion through the concept of conviction. Chong and Tuckett (2015), studying fund managers responsible for more than $500 billion in combined assets, find that practitioners manage uncertainty by constructing conviction narratives: accounts of uncertain futures composed of elements that generate excitement and elements that manage doubts. These narratives make the future actionable despite its inherent uncertainty. Chong and Tuckett's (2015) fund managers, however, operate in liquid markets where positions can be revised, reduced, or exited. The conviction required to hold a position that can be unwound is different in character from the conviction required to make a commitment that cannot easily be reversed.

Huang and Pearce (2015), studying how angel investors make investment decisions through interviews and a follow-up study tracking actual venture outcomes, find that experienced investors rely on a combination of expertise-based intuition and formal analysis "in which intuition trumps analysis, contrary to reports in other investment contexts" (p. 634). The investors' assessments of the entrepreneur at the initial stage predicted which ventures would be extraordinarily profitable four years later. Their findings suggest that holistic judgment in investment settings is not a failure of method but a form of expertise suited to conditions they describe as "unknowable" (p. 634). Angel investors are principals who commit their own capital to early-stage ventures, where the uncertainty concerns the viability of the business model itself rather than, as in PE buyouts, the scope for value creation in an established business.

The finding by Imam et al. (2008) that analysts rely on a subjective sense of what "feels right" points in the same direction: among intermediaries who advise rather than principals who invest, valuation judgment also has a holistic quality that resists full formalisation.

These literatures converge on a common observation: the judgment enabling action under genuine uncertainty is not purely calculative but involves constructing an account that is coherent enough to act on. However, each has been studied in a setting that differs from PE deal-making in at least one structurally important respect. Auditors assess but do not commit capital. Fund managers commit capital but can reverse their positions. Analysts advise but bear no direct economic exposure. Angel investors commit their own capital

but lack the range of mechanisms available to PE deal teams and typically invest in companies that are meaningfully different from PE in size.

We know that PE practitioners must exercise judgment to handle risk in multiples-based valuation, but we do not know how that judgment works when the full range of mechanisms is available. The literatures reviewed here show how professionals in adjacent settings reach commitment under similar conditions, but none examines a setting where the principal makes a largely irreversible commitment while simultaneously having access to a repertoire of mechanisms through which the terms of that commitment can be reshaped. Because each mechanism changes what must be true for the investment case to hold, the availability of a repertoire does not simply give practitioners more ways to adjust a price; it changes the structure of the judgment that sustains commitment. This thesis addresses that gap by asking:

How do PE deal teams handle risk when moving from a peer-derived starting range to a committed bid in multiples-based valuation?

2.2. Sensemaking as the analytical framework

The gap identified in the preceding sections calls for a framework that can account for three features of the PE deal process: how a deal team gradually builds and refines its view of an investment under uncertainty, how the mechanisms it uses to handle risk feed back into the assessment, and how the investment case can collapse beyond repair.

We use sensemaking not as a coding template that assigns each empirical observation to a theoretical category, but as a process lens for analysing how deal teams construct, revise, and sometimes abandon investment cases under uncertainty. Its relevance to this study lies in three ideas: that action under uncertainty depends on plausibility rather than calculative certainty, that actions taken during the process reshape what is subsequently evaluated, and that interpretive accounts can collapse when they can no longer accommodate new information. Two further properties, identity construction and extracted cues, play supporting roles, accounting for the buyer-specific and selective character of the judgment involved.

Weick (1995) defines sensemaking as the process by which people construct plausible interpretations of ambiguous situations and use those interpretations as a basis for action. Weick, Sutcliffe and Obstfeld (2005) describe it as a process in which individuals notice cues, bracket them as significant, and construct accounts that are progressively refined until they can support commitment.

Plausibility over accuracy is the property most central to this study. Sensemaking stabilises when the interpretation becomes coherent enough for the actors involved to commit to a course of action (Weick, 1995; Weick et al., 2005). What the comfort

literature calls comfort and what Chong and Tuckett (2015) call conviction corresponds, in sensemaking terms, to the point at which the account's plausibility is sufficient to support commitment. Plausibility as a criterion for commitment has a structural feature worth noting. When the standard is that the account holds together, individual elements are assessed in part by how well they fit the rest of the case. There is no requirement that each element be independently verified, or that the cumulative effect of individually reasonable assessments be tracked. Whether PE deal teams operate under these conditions is an empirical question this thesis examines.

Enactment means that actions taken in response to an interpretation create the environment that is subsequently interpreted. When a deal team chooses to address a risk through an earnout rather than through a lower multiple, this changes what must be true for the case to hold, which in turn changes which uncertainties remain tolerable. Mechanism choice is therefore not only a downstream consequence of risk assessment; it feeds back into the assessment by reshaping the conditions under which the investment case stands or falls.

Two further properties play supporting roles in the analysis. Identity construction means that the sense people make is shaped by their professional experience, expertise, and organisational position. The same data can produce different accounts depending on who interprets it, which suggests that if the buyer-specific frame described in Section 2.1 operates in PE, it is not incidental but structural: the account reflects the team that produces it. Extracted cues refers to the process by which certain features of the environment are singled out for attention. In a due diligence context, this property implies that investigation is selective rather than comprehensive: what a team notices is shaped by what it knows how to look for.

Not all new information reinforces the existing account. Pratt (2000) introduces the concept of sensebreaking: the deliberate disruption of existing meaning structures that opens a space for new meaning to be constructed. Maitlis and Christianson (2014) generalise the concept as a counterpart to sensemaking: where sensemaking constructs meaning, sensebreaking dismantles it. We draw on this idea more narrowly than Pratt's original formulation, to describe moments where the investment case can no longer be repaired through any available mechanism (price adjustment, deal structure, forecast revision, or further diligence). In such cases, abandonment reflects not merely a negative assessment but the collapse of the account that had made the deal actionable. Whether new information triggers revision or collapse depends on its compatibility with the existing account, not solely on its magnitude. This distinction allows us to analyse the difference between a deal that proceeds with adjustments and a deal that is abandoned.

Abolafia (2010) provides a direct precedent for applying sensemaking to a collective decision under uncertainty, showing how FOMC members construct a shared narrative

from ambiguous economic indicators until it is plausible enough to sustain a policy decision.

The analysis that follows examines how PE deal teams handle risk when moving from a peer-derived starting range to a committed bid, using sensemaking as a process lens for how practitioners produce sufficient grounds for action under genuine uncertainty.

3. Methodology

This section outlines the research methodology. First, the research design is elaborated upon in section 3.1. Then the data collection is described in section 3.2, followed by a description of the data analysis in section 3.3, and finally a discussion of data quality in section 3.4.

3.1. Research design

The study investigates how PE deal teams handle company-specific uncertainty when valuing private targets using peer-anchored multiples. A cross-sectional qualitative study using semi-structured, in-depth interviews was carried out to investigate this subject. The cross-sectional design was chosen to identify shared patterns in a professional judgment process across multiple firms, rather than tracking one firm's practices over time (Lillis & Mundy, 2005). A qualitative method was chosen to provide a thorough exploration of the phenomenon and to capture its complexity and subtle differences (Bell et al., 2019). Semi-structured interviews allow access to the professional judgments that practitioners rarely articulate in formal documentation, while retaining enough structure to enable comparison across respondents. The use of semi-structured interviews to study professional practice is consistent with a tradition of qualitative accounting research on judgement and decision-making under uncertainty (Andon, Baxter & Chua, 2024; Imam, Barker & Clubb, 2008; Kastrup, Grant & Nilsson, 2025; Pflueger & Mouritsen, 2025).

The study adopts an interpretive perspective (Chua, 1986): our interest is not in whether PE valuations are correct, but in how they are constructed, justified, and revised under uncertainty. This is particularly relevant because PE valuation under genuine uncertainty does not produce a single correct answer; the pricing outcome depends on how the deal team interprets the risks it identifies, what mechanisms it considers available, and what level of conviction it can construct. An interpretive approach allows us to investigate these judgment processes as practitioners experience them, rather than evaluating their outputs against an external benchmark.

Three features distinguish the qualitative approach from a quantitative one and motivate its use in this study. First, qualitative research captures the breadth and complexity of a phenomenon rather than reducing it to numerical variables; the judgment processes under investigation involve contextual reasoning that cannot be measured through standardised instruments without losing what makes them substantive. Second, qualitative research generates understanding iteratively as the study progresses rather than testing a predetermined hypothesis; our research question concerns how practitioners navigate a process that has not been previously mapped, which requires an exploratory design that can accommodate unexpected findings. Third, qualitative research takes place in natural

settings, producing data through direct engagement with practitioners in their professional context; the reasoning behind PE pricing decisions is not recorded in deal documentation or databases, and can only be accessed through in-depth conversations with the professionals involved. Since the question of how PE deal teams handle risk across multiple mechanisms has not been previously examined, a qualitative approach was deemed the most appropriate (Edmondson & McManus, 2007).

PE deal teams constitute a suitable site for this question for two reasons that also bound the scope of the findings. First, the pricing reasoning is ownership-conditional: respondents frame the bid as what the asset is worth to them, given what they can do with it during their hold. This presupposes a principal who intends to own and operate the business, which excludes intermediaries and passive investors. Second, PE deal teams have access to the full channel repertoire, including contractual mechanisms such as earnouts and seller reinvestment that are not available in public markets. The channel architecture is central to our findings, and the study could not have documented it in a setting where most of these channels do not exist.

3.2. Data collection

To explore how PE deal teams handle risk when moving from a peer-derived starting range to a committed bid, data were collected through 19 semi-structured interviews with 15 PE professionals and 1 fund-of-fund practitioner across five organisations between March and April 2026. Three respondents were interviewed on two separate occasions, as the breadth of material warranted follow-up conversations. The interviews were conducted through a combination of in-person and virtual formats. Interview durations ranged from approximately 20 to 70 minutes, with an average of approximately 50 minutes and a total of approximately 13.5 hours of recorded material, and 1.5 hours unrecorded (see Appendix A). With the exception of two interviews, all interviews were recorded with consent and transcribed verbatim by the authors. The two unrecorded interviews were instead documented through detailed notes taken during and immediately after the conversation.

The primary depth site is a Nordic mid-market buyout firm (Firm B), where ten respondents across multiple seniority levels described overlapping deals and organizational processes. This depth is complemented by interviews at three additional PE firms (Firms C, D, and E) with different strategies, fund sizes, and levels of formalization, and one fund-of-funds investor (Firm A). The cross-firm interviews do not provide the same density of evidence as Firm B, but they test whether the core patterns also appear in other organizational contexts.

Access was facilitated through the authors' professional networks. Respondents were selected through a combination of direct outreach and referral sampling, targeting professionals with operational involvement in deal evaluation and pricing. The sample

intentionally spans seniority levels, from associates to senior partners. Junior professionals are closest to the analytical work: peer selection, financial modelling, and forecast construction. Senior professionals hold authority over pricing decisions, deal structuring, and abandonment. Interviewing across this range allows the study to cover the full process through which risk assessments are produced and translated into pricing outcomes.

The interviews followed a semi-structured format to balance flexibility with consistency (Bell et al., 2019). A common interview guide provided the baseline structure, ensuring comparability across respondents, but the guide was iteratively revised as the study progressed: questions were refined in response to patterns that emerged in earlier interviews, allowing later conversations to build on what had already been established. Within each interview, the prepared questions served as a framework rather than a script, leaving room for follow-up questions that could explore unexpected but relevant aspects of practitioners' reasoning.

The early version of the interview guide was exploratory and broad, shaped by an initial set of three interviews that directed our attention toward how PE teams, given their reliance on multiples, handle deal-specific risk. As the study progressed, the guide was iteratively refined. The initial focus was on how practitioners adjust multiples for deal-specific risk, but respondents consistently described valuation as a process involving multiple interdependent channels rather than a single-point adjustment to a peer-derived number. The guide was therefore broadened to encompass the wider set of mechanisms through which risk enters pricing, including forecast revisions, required returns, contractual structures, and deal abandonment. After approximately two-thirds of the interviews had been conducted, we began opening subsequent interviews with an explicit description of the mechanisms we had observed, which allowed respondents to move past describing what they do and engage directly with questions about why a particular mechanism is chosen over another, how adjustments are sized, and when adjustment gives way to abandonment. Each interview began with a brief overview of the study's purpose, followed by assurance of anonymity and a request for consent to record and store the data in accordance with GDPR requirements. All respondents provided their consent (see Appendix B for the interview guide).

3.3. Data analysis

The empirical analysis followed an abductive approach (Lukka & Modell, 2010), moving iteratively between the data and theoretical concepts. The initial analytical focus was shaped by the valuation literature and the IPEV guidelines, but as the analysis progressed, the data directed us toward sensemaking theory as a framework for understanding how practitioners construct sufficient grounds for commitment under uncertainty. The research question was refined accordingly: the initial formulation centred on how PE

professionals adjust multiples, while the final formulation foregrounds the broader architecture of channels through which risk enters pricing and the role of conviction in integrating across these channels.

The analysis began during data collection. After each interview, we reviewed the transcript, noting relevant passages and recording preliminary observations. We first marked passages in which respondents discussed valuation benchmarks, risk identification, pricing adjustments, contractual mechanisms, or walk-away decisions. These passages were grouped into provisional categories close to the empirical material, such as peer-group construction, operational adjustments, earnout, seller reinvestment, required return, and deal abandonment. As the analysis developed, these categories were reorganised into broader themes: channel substitutability, threshold logic, conviction, and the absence of cross-channel reconciliation.

In the later stages, the provisional categories were refined through comparison with the emerging theoretical framework. For instance, what we initially grouped as separate observations about "team confidence" and "IC presentation" became analytically legible as a single phenomenon, which we termed conviction as holistic integration, once we engaged with the sensemaking literature's concept of plausibility. We also dropped an early category, "double-counting as mechanical error," when closer reading of the transcripts showed that respondents were describing a dynamic rather than a systematic mistake. The analysis was conducted in Swedish; quotations were translated into English for presentation in the thesis, preserving respondents' original phrasing as closely as possible.

3.4. Data quality

The quality of the study is assessed using the criteria of trustworthiness outlined by Lincoln and Guba (1985): credibility, transferability, dependability, and confirmability.

Credibility concerns whether the findings represent plausible interpretations of the data. The depth of interviewing at Firm B, where ten respondents across multiple seniority levels described overlapping processes and, in some cases, the same deals, provides internal triangulation. The cross-firm interviews test whether the patterns observed at Firm B also appear elsewhere. The core findings, particularly channel substitutability and the absence of calibrated adjustment mechanisms, held across firms with different strategies, fund sizes, and levels of formalization.

Transferability concerns whether the findings could apply in other settings. The study does not claim statistical generalizability. The findings describe practices observed in a purposefully selected set of Nordic PE firms engaged in mid-market control buyouts. The structural conditions that give rise to these practices are not unique to this sample, but the findings are bounded by two features of the PE setting: the channel architecture requires

contractual instruments available only in private transactions, and the ownership-conditional pricing logic requires a principal who intends to hold and operate the business. Settings that lack either condition would not be expected to produce the same patterns.

Dependability and confirmability concern whether the research process is transparent and the findings traceable to the data. All interviews were recorded and transcribed verbatim, except for two for which detailed notes were taken. Interview recordings, transcripts, notes, and the interview guide have been retained throughout the research process. To support confirmability, one of the authors has prior professional experience in PE. This enabled more precise follow-up questions and helped respondents discuss technical issues without extensive background explanation. At the same time, this familiarity created a risk of taking practitioner categories for granted. To mitigate this, we repeatedly asked respondents to explain how judgments were made in concrete cases, rather than accepting shorthand terms such as “quality,” “risk,” or “conviction” at face value.

Two limitations should be noted. First, a limitation of interview-based studies of professional judgment is retrospective rationalisation: respondents may present their reasoning as more systematic than it was in real time. We addressed this by asking for specific recent deals, probing for concrete details about the sequence of events and the moments at which views changed, and comparing accounts of the same processes from multiple respondents at Firm B. Several respondents described uncertainty, disagreement, and revision in ways that suggest genuine recollection rather than post-hoc rationalization. Second, the concentration of the sample at Firm B means that the most detailed findings are primarily grounded in one firm’s practices. We are transparent about this throughout the analysis, noting when findings are supported by evidence from Firm B alone versus across the broader sample.

All respondents were assured of confidentiality and provided informed consent for recording and data storage in accordance with GDPR requirements. All names, firm identities, and portfolio company references are anonymised.

4. Empirical findings

This section presents our empirical findings, organised around three themes. The first theme describes the valuation frame: how a peer-based starting point is established and how the valuation shifts to a buyer-specific assessment. The second theme describes how deal-specific risk is translated into pricing outcomes. The third theme describes how practitioners integrate their risk assessments and what limits that integration in practice.

All interviewees and firms are anonymised.

4.1. Theme 1: The Peer-Derived Anchor and the Shift to a Buyer-Specific Frame

4.1.1. Finding 1: The peer-derived anchor is established through judgment

Practitioners described peer multiples as the initial reference point for valuation. The peer analysis provides a range; that range is assembled through judgment, and the target is positioned within it based on specific financial and operational characteristics. Practitioners viewed the resulting multiple as inherently imprecise.

The starting point for the valuation is a range derived from what a practitioner called "the classical sources" (Firm B, Interview 11, Interviewee 8): precedent transaction multiples and public comparable companies, including their historical valuations. Assembling the peer set that produces this range is itself a judgment-driven process. The positioning was described as primarily qualitative, though some practitioners described supplementing this with simple quantitative methods such as regression analysis (Firm B, Interview 7, Interviewee 4). They prioritised companies that were geographically close and similar in business model and financial profile, gave less weight to more distant peers, and excluded companies whose valuations were seen as distorted, either because they were extreme or because they reflected factors unrelated to the target's business (Firm E, Interview 18, Interviewee 15; Firm B, Interview 10, Interviewee 7; Firm B, Interview 17, Interviewee 14). Practitioners described the resulting peer set as shaped by these inclusion and exclusion decisions, meaning that the range is constructed through judgment before any positioning of the target begins.

Once the peer set is assembled, the target is positioned within the range. The most commonly referenced parameters were business model characteristics, growth, margins, and size; practitioners also described supplementing these with recurring revenue share and geographic exposure, though they noted that the availability of detailed data varies. The positioning within the group was described as qualitative rather than quantitative. Rather than assigning precise values to individual factors, practitioners described placing the target closer to certain peers than others based on overall similarity (Firm B, Interview 10, Interviewee 7). The practice of constructing a peer range through qualitative

positioning was described in broadly similar terms across firms, including at Firms C and E, though the depth of evidence comes primarily from Firm B.

Practitioners were candid about the imprecision of the resulting multiple. As one interviewee put it: "You never know what the right multiple is, that is the problem. There is no right or wrong. You cannot look at a multiple and say 'this is right'; it becomes a starting point" (Firm B, Interview 7, Interviewee 4). The range itself can be wide enough to provide limited guidance; one interviewee noted that peer multiples sometimes spread from eight to sixteen, and that attempts to find a pattern sometimes fail because the data is "just so scattered that it does not say much" (Firm B, Interview 8, Interviewee 3). The peer-derived range, in other words, provides an initial reference point rather than a precise answer.

4.1.2. Finding 2: The peer comparison moves into the background as valuation shifts to a buyer-specific frame

Once the target is positioned within the peer-derived range, practitioners described moving on from the peer comparison. Across firms, interviewees described the peer analysis as an indication, a sanity check, or a pre-analysis that is not returned to as the deal progresses (Firm B, Interview 16, Interviewee 13; Firm B, Interview 17, Interviewee 14; Firm B, Interview 10, Interviewee 7). One interviewee confirmed directly that "we do not redo the peer analysis. It is more about giving an indication" (Firm B, Interview 16, Interviewee 13). When due diligence reveals information that changes the team's assessment of the very parameters used to position the target initially, whether growth expectations, margin assumptions, or revenue quality, no interviewee described returning to the peer set to re-evaluate where the target should sit relative to peers given the updated profile. The peer reference does, however, resurface at the investment committee stage, where the team must justify its valuation relative to peers; this dynamic is discussed under Finding 6.

Practitioners described this shift as reflecting a change in the valuation question itself. Rather than asking what the company is worth relative to comparable companies, the deal team begins to ask what the company is worth to them, given what they specifically can do with it. One interviewee illustrated this through the general principle that shapes buyer-specific valuation: "What can you as an owner bring to the table?... It is about you seeing more value than anyone else in the future and therefore wanting to pay more today" (Firm B, Interview 2, Interviewee 2). In practice, this meant that the deal team evaluated what it believed the company could deliver, what case it could underwrite, what exit multiple it believed was realistic, and what return it required. These questions are anchored in the specific buyer's capabilities and constraints rather than in what the market implies through peer valuations (Firm B, Interview 5, Interviewee 5). The business case constrains what the deal team can pay; if the operational assumptions are conservative,

the case mechanics limit how high the multiple can go, regardless of what peers trade at (Firm B, Interview 7, Interviewee 4; Firm B, Interview 8, Interviewee 3).

This buyer-specific framing extends to how risk is conceived. Practitioners expressed risk in the language of business quality rather than in statistical terms: whether the business model is stable, whether it has proven itself across market cycles, whether it depends on a key person, whether revenue is recurring or project-based (Firm B, Interview 8, Interviewee 3; Firm B, Interview 2, Interviewee 2). One interviewee described the firm's approach as structured around "attractions, concerns, and mitigations linked to concerns," where the central question is what measures the team can implement "if these risks materialise under our ownership" (Firm B, Interview 19, Interviewee 16). Risk, in other words, was consistently described in terms of what the specific buyer can do about it.

4.2. Theme 2: How Risk Enters Pricing

Practitioners described handling deal-specific risk through two broad categories of mechanisms: adjustments within the financial model and mechanisms that operate outside it. Model-level adjustments include the entry multiple, the operational forecast, and the required return. Outside the model, practitioners described using earnouts, seller reinvestment requirements, adjustments in the EV-to-equity bridge, and share purchase agreement (SPA) warranties. The mechanisms are connected through the LBO model: as one interviewee described, "the last thing we do to match the valuation is an IRR-targeting LBO. We ask: given our assumptions, what return do we get? And if we require e.g. 20% IRR, what can we then pay?" (Firm B, Interview 6, Interviewee 2). This interdependence means that changing one input changes the conditions under which the others are evaluated. Factors other than risk also shape pricing, notably the competitiveness of the transaction process; practitioners described competitive dynamics as a separate influence on the multiple that falls outside the scope of the risk-handling mechanisms described below.

The mechanisms described here are those practitioners identified as active tools for handling deal-specific risk in their accounts. Other features of a PE transaction, such as capital structure design, the terms of management incentive programmes, and the allocation between preference and ordinary shares, may also carry risk-handling implications but were not described by respondents in those terms and thus fall outside the scope of this study.

4.2.1. Finding 3: No prescribed method exists for sizing risk adjustments

When it comes to model-level adjustments, practitioners described the assessment of a risk as qualitative, but its expression in the model requires a number: a specific multiple, a specific growth rate, a specific return threshold. Across interviews, no practitioner described a calibration method for translating a risk assessment into a specific adjustment

size, though practitioners were aware of what such a method would require. One interviewee described the ideal approach: estimate the probability that a customer is lost, estimate the EBITDA impact given cost adjustments, and calculate the present value effect on the business. But the same interviewee added that "very rarely is it so black and white," that isolating the value impact of a single risk factor would require "an enormous scenario analysis," and that in practice "we do not do that; often it becomes more dynamic" because the assessment is a holistic evaluation of opportunities and risks together rather than a decomposition of individual factors (Firm B, Interview 19, Interviewee 16).

When another interviewee was asked directly to provide an example of how the size of a multiple adjustment is determined, the response was: "It is hard to find a perfect scientific method that says if customer concentration is 30%, that corresponds to 0.4 multiple adjustment" (Firm B, Interview 16, Interviewee 13). Another described the process as involving "intuitive sense" rather than precise calculation: "It doesn't all go down on paper exactly... it's a bit bespoke, there's some intuitive sense involved" (Firm B, Interview 8, Interviewee 3). One interviewee described the sizing in similar terms: "In the end you just have to say '20% discount feels right' given the whole triangulation exercise and what we believe we can do" (Firm B, Interview 6, Interviewee 2). Another described valuation in this context as "quite a lot of a pseudoscience... a qualified guess, and then you try to negotiate to pay as little as possible" (Firm C, Interview 9, Interviewee 6). The gap between recognising that a risk warrants an adjustment and determining the magnitude of that adjustment was, across our interviews, filled by experience and judgment rather than by a method prescribed by the valuation framework.

4.2.2. Finding 4: Risk is routed across mechanisms without fixed rules

Outside the model, contractual mechanisms allocate or share risk between buyer and seller rather than pricing it. Financial risks such as pension liabilities are typically handled through the EV-to-equity bridge, where they are deducted from enterprise value (Firm B, Interview 7, Interviewee 4). Key person risk is often addressed through reinvestment requirements and non-compete clauses (Firm C, Interview 12, Interviewee 9). Not all firms keep all mechanisms in their repertoire; one firm has abandoned earnouts entirely, concluding that they create measurement disputes and incentive distortions, and instead requires seller reinvestment: "If someone does not want to be a co-investor, I think we just drop the deal. We do not set a discount; we cancel it completely" (Firm D, Interview 13, Interviewee 10).

There is no fixed rule for which mechanism a given risk is routed to, though practitioners described general patterns. One interviewee laid out a sequential logic in which market risk is captured by the original multiple, company-specific risks are handled through multiple adjustments or earnouts, and legal or binary risks are handled through net debt adjustments (Firm B, Interview 17, Interviewee 14). Other practitioners described similar

distinctions between risk types and the channels used to address them (Firm B, Interview 8, Interviewee 3; Firm B, Interview 11, Interviewee 8). But these patterns are overridden in practice by several factors.

The quantifiability of a risk shapes whether it enters the model or is handled structurally. When a risk can be translated into financial assumptions, practitioners described expressing it through the forecast, where one interviewee noted that the adjustment becomes clearer: “it is perhaps easier to make a haircut on growth than on the multiple; it becomes more clear” (Firm B, Interview 10, Interviewee 7). Risks that are hard to quantify, such as key person dependency, surface as multiple adjustments or structural mechanisms instead (Firm C, Interview 15, Interviewee 12; Firm E, Interview 18, Interviewee 15).

Whether the risk is controllable by the seller also matters. One interviewee described earnouts as appropriate only when the seller remains in the business and can influence the outcome: “For factors where they have the ability to influence a commercial development, then an earnout is very reasonable... Using an earnout for factors they cannot influence is worse and creates more frustration than it is worth” (Firm B, Interview 17, Interviewee 14). When the seller has no ability to affect whether the risk materialises, a price adjustment was described as more appropriate.

The same risk can be expressed through different channels depending on the circumstances. One interviewee illustrated this through key person dependency: if the seller reinvests, the risk is managed through deal structure; if not, the response shifts to a lower multiple (Firm C, Interview 15, Interviewee 12), leading the deal team to express the same risk through a different channel.

The choice of mechanism is also shaped by what is presentable to the counterparty. Once a multiple has been communicated, it becomes difficult to revise downward. One interviewee described an anchoring effect: “it is easier to get a net debt adjustment through than a multiple change” (Firm B, Interview 17, Interviewee 14), because counterparties anchor on the headline multiple. Another described the practical consequence of this dynamic: “Sometimes you need to show a high multiple to the seller but apply it on a different base. Sometimes you have the right enterprise value figure but then you work with net debt adjustments to get it right in the end” (Firm B, Interview 16, Interviewee 13).

4.2.3. Finding 5: Risk responses follow threshold logic

Not all risks activate the mechanisms described above. Practitioners described a materiality threshold below which risks are absorbed into the general assessment and above which they trigger an explicit response. Non-material risks were described as part of the baseline risk of owning a business, absorbed into the general assessment without

triggering a specific adjustment. One interviewee described this explicitly: customers come and go, suppliers adjust their terms, competitors make changes, and forecasts never materialise exactly as projected; these are "part of running a business" and do not warrant specific adjustment (Firm B, Interview 19, Interviewee 16). When a risk crosses a materiality threshold, the response changes: "If you are faced with a risk where you feel that it is a tangible risk, and it could have more than 10% earnings impact on existing earnings in the existing business, then maybe it is something you need to look at" (Firm B, Interview 19, Interviewee 16). One interviewee at a different firm confirmed that a threshold exists in principle, though it is not formally derived: "It is not statistically determined, but absolutely in thought it exists" (Firm E, Interview 18, Interviewee 15). That interviewee offered a concrete illustration: when the team's assumptions push EBITDA margins below all reasonable peers, "that is a threshold. That is when people start questioning what these multiples really are" (Firm E, Interview 18, Interviewee 15).

At the upper end, risks that are too large to price trigger abandonment rather than adjustment. One interviewee described this for platform investments, the initial acquisitions used as a base for subsequent add-ons, with extreme customer concentration: "The entire investment case is dead. This is binary risk. It is not your decision; it is the customer's" (Firm B, Interview 6, Interviewee 2). Another described the firm's investment criteria as including explicit boundaries: if a company has more than 40% customer concentration, "then maybe we assess away that investment rather than adjust the valuation. Then we say that this is perhaps not an investment for us to make" (Firm B, Interview 19, Interviewee 16). A particular category of risk was described as especially difficult to handle: low-probability events with catastrophic consequences. One interviewee gave the example of a 1% probability that AI destroys the core business model, noting that "if it happens, it is the bottom, it is a zero on this investment. No return whatsoever" (Firm B, Interview 19, Interviewee 16). The interviewee noted that such risks are among the hardest to handle: the probability is too low to price through a specific adjustment, but the consequences if realised are total.

The threshold also applies to the overall deal, not only to individual risks; one interviewee described walking away from what they called "the best company I have seen" because the competitive process had pushed the price to a level where the case had no margin of error (Firm B, Interview 16, Interviewee 13). As such, practitioners described responding to risk through discrete shifts: from absorption, to explicit adjustment, to abandonment.

4.3. Theme 3: Integration and Its Limits

4.3.1. Finding 6: The absence of formal reconciliation, and conviction as the integrating judgment

The preceding findings describe a valuation process in which risk is assessed qualitatively, expressed through multiple mechanisms without a prescribed sizing method, and where non-material risks are absorbed into the general assessment without explicit adjustment. A natural question is how practitioners ensure that the overall assessment remains coherent across these layers. In our interviews, no practitioner described a mechanism for doing so. One interviewee stated directly that the firm does not "typically make a consolidated picture of which risk adjustments we have made and how we have valued those risks," and described such tracking as, in that interviewee's view, "quite uncommon" in practice (Firm B, Interview 14, Interviewee 11). When asked why, practitioners pointed to the sheer number of variables involved:

> "There are so incredibly many factors and components; after you have been through a 2-3 month process, you have 400 variables that you need to weight and take into account… showing how the different risks and opportunities you identify during the case affect the model becomes incredibly complex. And I think if you were to do that, unless you are a computer, you would lose yourself in it." (Firm E, Interview 18, Interviewee 15)

When asked directly whether there is a risk of adjusting for the same risk through more than one channel, one interviewee confirmed: "Yes, there probably can be. If we were to adjust a multiple because of a certain risk, then that risk definitely exists" (Firm B, Interview 17, Interviewee 14). The same interviewee, when asked how often practitioners go back to assess the totality, responded: "I actually do not really know how often you go back and think about the whole picture" (Firm B, Interview 17, Interviewee 14). That interviewee's preferred approach was to keep different types of risk separate: market risk in the original multiple, company-specific risks through multiple adjustments or earnouts, and legal or binary risks through net debt adjustments, so that each channel handles a distinct category. But this sequential logic reflects individual discipline rather than a structural safeguard, and in our interviews no practitioner described a process that would detect whether adjustments across channels had cumulatively over- or under-compensated for a given risk.

In the absence of formal reconciliation, how do practitioners find comfort in their overall assessment? Across interviews, the answer was consistent: practitioners described relying on an overall judgment about the quality of the case and the team's willingness to proceed at a given price. One interviewee described this as "making the overall holistic assessment of opportunities and risks, what probability they have, and what measures we can implement if these risks materialise under our ownership" (Firm B, Interview 19, Interviewee 16). This assessment was described as operating above the individual mechanisms; as one interviewee at a different firm put it: "Whether it is a small percent up or down on a multiple, that does not really matter if you do not still believe in the case

fundamentally. And that is so much more than just a multiple" (Firm C, Interview 12, Interviewee 9).

One interviewee observed that this overall judgment always contains "a small element of backsolving," noting that the desire to make investments is inherent to the industry and shapes how the analysis is conducted (Firm B, Interview 14, Interviewee 11). The same interviewee described how this resolves in practice: "Can we get a return that meets our required return, and we feel that the return we can see here is sufficiently risk-adjusted? Then we feel: we have conviction on all the adjustments we have made here, and this return is something we believe in. We want to sign our names to this investment case" (Firm B, Interview 14, Interviewee 11). Another interviewee observed that the path of least resistance in investment evaluation is rejection: "the easiest thing is to shoot down an investment because of risk. You can find risks everywhere, and warning signs everywhere" (Firm B, Interview 19, Interviewee 16). In that interviewee's description, conviction is not only about managing doubt in the face of risk but about constructing a case that the team and committee are willing to act on despite the availability of reasons not to.

Practitioners described this judgment as ultimately staked individually and reputationally consequential. One interviewee stated: "In the end it comes down to what conviction you have yourself and how much you dare to stand up for your hypothesis" (Firm B, Interview 16, Interviewee 13). The same interviewee described the investment committee's role and what conviction means in that context: "The IC's job is to be a sounding board and to challenge the deal team. In the end, the deal team must have conviction. Someone must say: I want to make this investment, I put my personal brand on the line, I believe in this because of X, Y, and Z". The interviewee added that this requires trust: "Then as a decision-maker you need to know the person: do I trust this person? Have they done their due diligence?" (Firm B, Interview 16, Interviewee 13).

One interviewee from a different firm described the investment committee as a forum where the team must explain its valuation relative to peers: "Going into investment committee, you would have those comparables. And there would always be a discussion as to why this is different, higher or lower, compared to the specific peer groups... if you deviate, you would explain why" (Firm C, Interview 15, Interviewee 12). In one case described by another interviewee, the buyer's investment committee was concerned about the target's international expansion plan, which led to the introduction of an earnout that had not been part of the original deal structure; the committee's concern led to a change in the mechanism used to handle the risk (Firm B, Interview 5, Interviewee 5). Another interviewee described the multiple adjustment as sitting in "some kind of collective assessment in the investment committee," grounded in experience rather than in a defined methodology (Firm B, Interview 14, Interviewee 11).

5. Discussion

This section interprets the empirical findings through the sensemaking framework developed in Section 2.2. The discussion is organised around three phases of how practitioners handle risk in multiples-based valuation. Section 5.1 examines how risk handling begins at the construction of the peer range and how the nature of the risk assessment changes as the deal progresses. Section 5.2 examines how risk is navigated across a repertoire of mechanisms, and how each choice reshapes the conditions under which the investment case is evaluated. Section 5.3 examines how the process terminates in commitment when no calculation can tell the practitioner that the adjustment is complete. Section 5.4 draws these together into a statement of what this thesis contributes to the accounting and valuation literatures.

Our findings are drawn primarily from a single depth-site firm, supplemented by interviews at four additional firms. The patterns described below were observed across firms, but the depth of evidence comes primarily from one organisation.

The findings show that PE deal teams handle risk by distributing it across a repertoire of valuation and deal-structuring mechanisms. The peer-derived multiple provides an initial market anchor, but as due diligence progresses, the team shifts toward a buyer-specific investment case. Risks are then absorbed, priced, structured, or used as grounds for abandonment depending on their materiality, quantifiability, and the negotiation context. Because these adjustments are not formally reconciled, the process terminates when the deal team and investment committee judge the configured case to be plausible enough to support commitment.

5.1. From market anchor to buyer-specific assessment

Risk handling in multiples-based valuation begins at the construction of the peer range itself. Practitioners described the peer analysis as producing an initial range that is itself constructed through judgment: the peer set is assembled through inclusion and exclusion decisions, and the target is positioned within the range through qualitative comparison rather than mechanical calculation (Finding 1). This is consistent with Bhojraj and Lee's (2002) observation that peer selection is "an art form."

As due diligence progresses, the nature of the risk assessment changes. Our findings show that the peer comparison moves into the background (Finding 2). Practitioners described the peer analysis as a sanity check or pre-analysis, with one interviewee noting that "we do not redo the peer analysis" even when new information changes the team's view of the target. The valuation question shifts from what the target is worth relative to comparable companies to what it is worth to this specific buyer. Practitioners described

risk in the language of what they as owners can do about it, not in terms of how it compares to peer company risk profiles.

In sensemaking terms, this shift can be understood as identity construction: the deal team's identity as an active owner, with specific capabilities and a specific investment strategy, shapes which features of the target are noticed, how they are interpreted, and what they are taken to mean for pricing. The extracted cues that drive the assessment are not selected at random; they reflect what the team knows how to act on. A team with operational restructuring experience would be expected to attend to cost structure and margin improvement potential. A team with add-on acquisition experience would be expected to attend to platform characteristics and market fragmentation. Because the buyer's identity shapes the assessment, different teams assessing the same target would extract different cues and construct different accounts. This suggests that the "value" of a private target is not a property of the target alone but a product of the interaction between the target's characteristics and the buyer's identity.

These observations connect to adjacent research. Imam, Barker and Clubb (2008) find that analysts' own interpretations shape valuation conclusions, but their analysts were assessing market sentiment; our practitioners are constructing investment cases as principals who will control the business. The interpretive dynamic is similar, but the stakes and the nature of the judgment are different.

At the same time, the peer-derived range does not disappear. Practitioners described it as constraining what feels reasonable, consistent with the anchoring effects Kaustia et al. (2008) document among financial professionals. At the investment committee, the peer reference resurfaces as a justification device: the team must explain why its valuation deviates from peers (Finding 6). The result is a valuation process in which two frames coexist: a market-derived starting point that constrains the outer bounds and a buyer-specific assessment that drives the actual pricing decision. This coexistence shapes how risk is handled in the phases that follow.

5.2. Routing risk across a repertoire of mechanisms

Within the buyer-specific frame described above, risk is no longer a question of whether the target is riskier or less risky than comparable companies. It is a question of whether the buyer can execute its specific plan: achieve the projected growth, restructure the cost base, improve margins. The multiple alone cannot capture these dimensions, because they concern the buyer's future actions rather than the target's current position relative to peers. In this context, practitioners draw on a broader repertoire of mechanisms.

Prior research has studied contractual mechanisms individually, and Patschureck et al. (2015) have observed that they may interact as a package, but to our knowledge no study has examined how practitioners navigate the full range of mechanisms including non-

contractual adjustments. Our findings address this gap. They show that the choice of where to locate a risk assessment is not a downstream consequence of the assessment itself but part of the judgment through which the case is constructed, because each mechanism choice changes what the remaining mechanisms need to achieve.

Practitioners described handling risk through a repertoire that extends beyond what the existing literature maps. In addition to the contractual mechanisms that Patschureck et al. (2015) catalogue (purchase price adjustments, earnouts, warranties, material adverse change clauses, and method of payment), our practitioners described using forecast revisions, multiple adjustments, required return changes, adjustments in the EV-to-equity bridge, seller reinvestment requirements, and deal abandonment (Findings 3 and 4). These are not separate tools selected from a menu; they are interconnected responses. Because these mechanisms are connected through the LBO model, adjusting any one input changes the conditions under which the others are evaluated.

This is an instance of what sensemaking theory calls enactment: actions taken in response to an interpretation create the environment that is subsequently interpreted. When a deal team addresses customer concentration risk through a lower multiple rather than through an earnout, the entry price falls, which changes the required return, which changes the set of risks that can be tolerated in the forecast. The mechanism choice enacts a different set of conditions under which the investment case is evaluated.

Patschureck et al. (2015) observe that contractual mechanisms may substitute or complement each other. Our findings show that this substitutability extends beyond the contractual mechanisms they map to include the non-contractual tools (forecast revision, return adjustment, deal abandonment), and that substitutability in practice is an active judgment that practitioners exercise based on several considerations. The quantifiability of a risk shapes whether it enters the model or is handled structurally; risks that can be translated into financial assumptions are expressed through the forecast, while risks that resist quantification surface as multiple adjustments or structural mechanisms. Whether the seller can influence the outcome also matters: practitioners described earnouts as appropriate only when the seller remains involved and can drive the relevant result, and as counterproductive otherwise. A third factor, the presentability of the adjustment to the counterparty, further shapes which mechanism is used in practice and is discussed below.

Our findings also suggest a difference from the venture capital setting studied by Kaplan and Strömberg (2004). Their analysis of 67 portfolio investments by 11 VC firms shows statistical associations between risk types and contractual provisions. Our practitioners also described general patterns, but in practice these defaults were regularly overridden by contextual factors, and the same risk could be expressed through different channels depending on the circumstances. Key person dependency may be handled through seller reinvestment if the seller agrees, or through a lower multiple if the seller does not. The routing is shaped by judgment about the deal as a whole, not by a fixed matching of risk

type to mechanism. Whether this difference reflects the maturity of the target (established businesses versus early-stage ventures) or the nature of the buyer's control (majority buyout versus minority investment) is a question our data cannot answer, but the difference itself is clear.

The threshold logic practitioners described (Finding 5) further illustrates how mechanism choice operates. Risks below a materiality threshold are absorbed into the general assessment without triggering a specific mechanism. Risks that cross the threshold trigger an explicit response. Risks that are too large to price trigger abandonment. These are not continuous adjustments along a scale; they are discrete shifts in how the deal team relates to the risk. The shift from adjustment to abandonment can be understood through the concept of sensebreaking: the point at which no available mechanism can restore the investment case to a state the team is willing to commit to. The practitioner who walked away from "the best company I have seen" because the competitive process had eliminated all margin of error illustrates this: the deal was abandoned not because of a flaw in the target but because the account's plausibility collapsed at the required price. At the extreme, practitioners described a category of risk that is particularly difficult to place within this framework: low-probability events with catastrophic consequences, such as the possibility that a technological shift destroys the core business model. Such risks are genuinely Knightian: the probability is too low to price through a specific adjustment, but the impact if realised is total, and no available mechanism can adequately address them.

Beyond the deal team's own assessment, the choice of mechanism is also shaped by what is presentable to the counterparty. Our findings show that once a multiple has been communicated, counterparties anchor on it, making net debt adjustments easier to negotiate than multiple revisions. These are not adjustments to the risk assessment itself; they are adjustments to how the risk assessment is expressed in the deal terms, shaped by what the seller will accept. This is consistent with the observation by Patschureck et al. (2015) that the buyer's ability to implement any mechanism is ultimately constrained by the seller's bargaining power. This negotiation dimension is not captured by the enactment concept, which concerns how actions reshape the actor's own subsequent interpretation, but it is an important practical constraint that further limits which mechanisms are available and how risk can be allocated. Taken together, the three routing factors practitioners described (quantifiability, controllability, and presentability) have not, to our knowledge, been documented as active practitioner judgments in the existing literature on contractual risk management in acquisitions.

5.3. Commitment without reconciliation

The preceding sections show how practitioners handle risk through constructing a peer range, shifting to a buyer-specific assessment, and navigating a repertoire of mechanisms. Neither phase produces a calculable answer to the question of whether the total

adjustment is sufficient. In our interviews, no practitioner described a method for determining when the risk handling is complete. This section examines how the process nevertheless terminates in commitment.

A central finding is the absence of formal reconciliation (Finding 6). In our interviews, no practitioner described a mechanism for tracking total risk adjustment across the valuation channels described in Section 4. One practitioner stated directly that consolidated tracking of risk adjustments is "quite uncommon" in practice, and another pointed to the sheer complexity of the task: hundreds of variables accumulated over months of due diligence, interacting in ways that resist systematic mapping. This absence is consistent with how practitioners described sizing individual adjustments in the first place: as "pseudoscience" (Firm C), "intuitive sense" (Firm B), and judgments where "20% discount feels right" (Firm B) rather than as calculations that could be formally tracked or reconciled.

When the standard for commitment is that the account holds together, individual elements are assessed in part by how well they fit the rest of the case, and there is no requirement that each element be independently verified or that the cumulative effect of individually reasonable assessments be tracked. Our findings identify the conditions under which this feature of plausibility-based commitment operates in practice. When risk is absorbed below the materiality threshold, assessed qualitatively, expressed through multiple mechanisms without formal tracking, and integrated through holistic judgment, there is no built-in check against the cumulative effect of individually reasonable assessments that all point in the same direction. This does not mean that practitioners are careless; several described rigorous due diligence processes and internal challenge. One interviewee confirmed directly that the risk of adjusting for the same risk through more than one channel "definitely exists," and described keeping different risk types in separate channels as a way to manage it (Firm B). But this concern reflects individual discipline rather than a structural safeguard, and the absence of formal reconciliation means that the coherence of the account depends on the judgment of the individuals involved rather than on a process that could detect cumulative drift.

One interviewee described this overall judgment as always containing "a small element of backsolving," noting that the desire to make investments is inherent to the industry (Finding 6). If the criterion for commitment is plausibility and there is simultaneously a built-in incentive to find the case acceptable, the absence of formal reconciliation becomes more consequential, because there is no independent check that operates separately from the judgment producing the case. This is not a claim that practitioners deceive themselves; it is an observation about the conditions under which their judgment operates.

What replaces formal reconciliation is conviction. Practitioners described this as an overall assessment of the quality of the case, operating above the individual mechanisms.

What matters is not whether the multiple is off by a small percentage but whether the team believes in the case fundamentally. At the same time, one interviewee observed that the path of least resistance is rejection: "you can find risks everywhere, and warning signs everywhere" (Finding 6). Conviction, in this light, is not only about managing doubt but about constructing a positive case strong enough to overcome the institutional pull toward rejection. This conviction is ultimately staked individually. One interviewee described both the personal and institutional dimensions: "In the end it comes down to what conviction you have yourself and how much you dare to stand up for your hypothesis," and at the investment committee, "someone must say: I want to make this investment, I put my personal brand on the line, I believe in this because of X, Y, and Z" (Firm B).

The investment committee functions as a forum where the deal team must justify its assessment, paralleling the collective sensemaking process Abolafia (2010) observes in the US Federal Open Market Committee (FOMC). Unlike the FOMC, which converges on a single policy instrument, the PE deal team must defend a specific configuration chosen from among a repertoire of alternatives, making the committee not only a forum for challenge but also a test of the particular deal structure the team has assembled. One interviewee described how, at the committee, "there would always be a discussion as to why this is different, higher or lower, compared to the specific peer groups" and that the team would need to "explain why" if its valuation deviated (Firm C). In one case, the buyer's investment committee was concerned about the target's international expansion plan, which led to the introduction of an earnout that had not been part of the original deal structure. The committee's concern led to a change in the mechanism used to handle the risk.

Similar dynamics have been observed in other professional settings, and the comparisons help clarify what is distinctive about the PE context. Pentland (1993) and Carrington and Catasús (2007) show that auditors produce comfort through social interaction and the progressive removal of specific discomforts, committing to an opinion when the remaining discomforts are judged acceptable. The conviction our practitioners describe has the same social structure (produced within the team, passed up the hierarchy, expressed in a formal act of commitment). But there is an important difference: an auditor cannot change the financial statements being audited. A PE deal team can restructure the deal. This means the commitment is not just "I believe the assessment is sound" but "I believe this specific configuration of the deal is the right one, when other configurations were possible." The conviction must sustain not only uncertainty about the target but also the knowledge that different mechanism choices would have produced a different case. Unlike Chong and Tuckett's (2015) fund managers, who can reverse their positions in liquid markets, PE deal teams commit fund capital to an illiquid asset for years, making the conviction effectively irreversible once the deal closes. Huang and Pearce (2015) find that angel investors' holistic judgment predicts venture success, suggesting that holistic judgment in investment settings is a form of expertise rather than a failure of method. Our

finding is consistent with this observation, though in PE the judgment must sustain not only the initial commitment but also the choice of a specific deal configuration from among the alternatives the repertoire made available.

5.4. Contribution

The three preceding sections describe facets of a single process. A deal team begins with a market-derived reference that it constructs through judgment (Finding 1). As due diligence progresses and the team's identity as an active owner develops, the valuation frame shifts toward a buyer-specific assessment, though the market reference continues to constrain what feels reasonable (Finding 2). Risk is then routed across a repertoire of mechanisms through judgment, and each routing decision reshapes the conditions under which the case is evaluated (Findings 3 and 4). Risks that fall below a materiality threshold are absorbed; risks that cross it trigger explicit adjustment; risks that exceed the capacity of any available mechanism trigger abandonment (Finding 5). Because no formal reconciliation tracks the cumulative effect of these decisions, commitment is produced through holistic conviction that is staked individually and tested at the investment committee (Finding 6).

Sensemaking provides a process lens for understanding how these phases connect: how the buyer's identity shapes the cues that drive assessment, how mechanism choice reshapes the conditions for the case, how plausibility rather than accuracy sustains commitment, and how the account can collapse when no mechanism can restore it. Without this framework, the findings describe a set of valuation practices; with it, they can be understood as a judgment process in which each step shapes the conditions for the next.

This thesis contributes to the accounting and valuation literatures in three ways. First, it suggests that the absence of formal methods for calibrating deal-specific risk adjustments in PE deal pricing is not simply a gap in current practice. Our findings show that practitioners can describe what a precise method would require, but describe it as impractical because deal-specific risks do not present as isolated factors that can be decomposed and individually sized. When the uncertainty is Knightian, no universal formula can translate a specific deal risk into a specific adjustment, because the situations practitioners face are sufficiently unique that they resist classification into reference groups from which probabilities could be derived. The tail risks practitioners described, low-probability events with catastrophic consequences that resist both pricing and deal-structure mitigation, illustrate the extreme case of this condition. The discretion that valuation guidelines such as IPEV leave open may therefore reflect the nature of the assessments practitioners face rather than a shortcoming waiting to be resolved.

Second, it extends the literature on how valuation is practised (Imam et al., 2008; Gompers et al., 2016) by showing that in PE deal-making, the choice of how to handle a

risk feeds back into the valuation itself. Because the available mechanisms are interconnected, routing a risk to one channel changes the conditions under which the rest of the case is evaluated. Prior research tends to treat mechanism choice as a response to a completed risk assessment; our findings suggest the two develop together.

Third, it extends research on contractual risk management in acquisitions (Patschureck et al., 2015; Kaplan and Strömberg, 2004) by identifying three factors that shape how practitioners route risk to specific mechanisms (quantifiability, controllability, and presentability). It also documents a threshold logic (absorption, adjustment, abandonment) that, to our knowledge, has not been described in the existing literature on risk management in acquisitions.

Implications for practice and future research are addressed in the concluding section.

6. Conclusion

6.1. Concluding remarks

This thesis asked how PE deal teams handle risk when moving from a peer-derived starting range to a committed bid in multiples-based valuation. Drawing on 19 interviews across four PE firms and one fund-of-funds investor, we find that practitioners handle risk by distributing it across a repertoire of mechanisms that extends beyond both the multiple itself and the contractual tools documented in the existing literature. The peer-derived multiple provides an initial anchor, but as due diligence progresses, the valuation shifts to a buyer-specific frame in which risk is conceived in terms of what the buyer can do about it. Within this frame, risks are routed to different mechanisms based on their quantifiability, controllability by the seller, and presentability in negotiations. Risks below a materiality threshold are absorbed; risks that cross it trigger explicit adjustment; risks too large to price trigger abandonment. Because no formal process reconciles these adjustments across channels, the process terminates when the deal team constructs sufficient conviction to stake individual reputation on the case before the investment committee.

Sensemaking provides a process lens for understanding why this judgment process has the shape it does: each mechanism choice reshapes the conditions under which the remaining case is evaluated (enactment), commitment rests on plausibility rather than calculable certainty (plausibility over accuracy), and the account can collapse beyond repair when no available mechanism can restore it (sensebreaking). Without this framework, the findings would remain a description of discrete practices; with it, they become legible as a single process in which the judgment at each stage constitutes the conditions for the next.

6.2. Limitations and boundary conditions

Several limitations should be noted. First, the empirical evidence comes primarily from a single depth-site firm (Firm B), supplemented by interviews at four additional organisations. While the core patterns were observed across firms, the density of evidence is concentrated in one organisation. This means that the findings are most robust for the specific practices described at Firm B and should be treated with greater caution where they rest on evidence from that firm alone. The threshold logic documented in Finding 5 is the most vulnerable in this regard, as the most explicit evidence comes from Firm B.

Second, the study is based on interviews rather than direct observation of deal processes. Practitioners described their reasoning retrospectively, which introduces the possibility of post-hoc rationalisation. We addressed this by asking for specific recent deals, probing for concrete details, and comparing accounts of the same processes from multiple

respondents. Several interviewees described uncertainty, disagreement, and revision in ways that suggest genuine recollection, but the limitation remains.

Third, the findings are bounded by two features of the PE setting that limit transferability. The channel architecture requires contractual instruments (earnouts, seller reinvestment, SPA warranties) that are not available in public market investing, and the ownership-conditional pricing logic requires a principal who intends to hold and operate the business. Settings that lack either condition, such as public equity valuation, passive minority investing, or advisory roles, would not be expected to produce the same patterns. Within PE, the findings are drawn from Nordic mid-market buyout firms; whether the same practices characterise larger transactions, different geographies, or different PE strategies (growth equity, infrastructure, credit) is an empirical question this study cannot answer.

Fourth, the study examines how deal teams handle risk in pricing but does not track whether the resulting pricing outcomes are systematically biased. The finding that formal reconciliation is absent and that backsolving is acknowledged as present raises the question of whether plausibility-based commitment produces predictable patterns in pricing accuracy, but answering that question would require outcome data that this study does not have.

6.3. Suggestions for future research

The findings point to several directions for future research. First, the absence of formal reconciliation and the acknowledged presence of backsolving raise the question of whether PE deal pricing exhibits systematic patterns in ex-post accuracy. Quantitative research linking deal-level pricing to subsequent investment performance could examine whether the structural conditions this thesis identifies (plausibility-based commitment, no cumulative tracking, structural incentive to find the case acceptable) produce measurable effects.

Second, this study documents what practitioners describe but does not observe the process in real time. An ethnographic study following a deal team through a complete transaction, from initial screening to investment committee decision, would capture the dynamics that interviews reconstruct retrospectively: when views shift, how disagreements are resolved, and at what point conviction crystallises or collapses.

Third, the routing factors this study identifies (quantifiability, controllability, presentability) emerged from practitioner accounts but have not been tested across a broader sample. Survey-based research could examine whether these factors are recognised as decision criteria across a larger population of PE professionals and whether additional factors operate that our interview-based approach did not capture.

Fourth, the threshold logic documented in Finding 5 (absorption, adjustment, abandonment) invites comparison with other professional settings where practitioners must decide whether to act on a risk or absorb it. Auditors face a structurally similar question when determining whether a misstatement is material; research examining whether the same discrete-shift pattern operates in audit materiality judgments, and whether similar structural conditions shape it, could extend the findings beyond the PE context.

7. References

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8. Appendix

8.1. Appendix A – List of interviews

Interview number	Interviewee	Firm	Duration	Date
1	1	A	45 minutes	2026-03-06
2	2	B	65 minutes	2026-03-12
3	3	B	25 minutes	2026-03-12
4	4	B	25 minutes	2026-03-25
5	5	B	60 minutes	2026-03-25
6	2	B	40 minutes	2026-03-30
7	4	B	60 minutes	2026-04-02
8	3	B	40 minutes	2026-04-02
9	6	C	60 minutes	2026-04-02
10	7	B	40 minutes	2026-04-07
11	8	B	60 minutes	2026-04-08
12	9	C	60 minutes	2026-04-10
13	10	D	60 minutes	2026-04-10
14	11	B	30 minutes	2026-04-13
15	12	C	30 minutes	2026-04-14
16	13	B	50 minutes	2026-04-14
17	14	B	70 minutes	2026-04-14
18	15	E	60 minutes	2026-04-21
19	16	B	20 minutes	2026-04-21

8.2. Appendix B – Interview guide

Formalities

- Recording of the interview
- GDPR consent form
- Anonymity and confidentiality

Example of questions

- Could you briefly describe your role and how long you have worked in PE?
- What does a typical investment process look like at your firm, from sourcing to close?
- How do you approach valuing a potential acquisition? What methods or tools do you rely on?
- How do you go about selecting comparable companies or transactions, and how wide is the peer range typically?
- Once you move into due diligence, how much do you still refer back to the initial peer range?
- What role does financial and accounting information play in identifying deal-specific risks?
- When you identify a deal-specific risk, how do you decide what to do with it? Do you adjust the EBITDA base, the multiple, the operational assumptions, or some combination?
- How do you determine the size of an adjustment? Is it possible to trace it back to a specific calculation?
- Is there a risk of the same concern being reflected in more than one place, for instance both in the forecast and in the multiple?
- Under what circumstances would you use an earnout rather than adjusting the price?
- How do SPA mechanisms, such as purchase price adjustments, warranties, or indemnities, factor into how you handle risk?
- When a risk could be addressed either through price or through deal structure, what determines which route you take?
- At the point where you decide to proceed with a deal, how would you describe what gives you confidence?
- Is there a threshold where a risk goes from being something you can price to something that kills the deal?
- Looking at the full process from screening to signing, how much of the final price would you say is driven by the numbers versus by judgment?

8.3. Appendix C – AI transparency note

Anthropic's Claude (Opus 4.6) was used throughout the writing process as an editorial and quality-checking tool. Its uses included refining grammar and syntax, evaluating paragraph flow, verifying reference formatting, and cross-checking the authors' English translations of interview quotes originally conducted in Swedish. Claude was also used to check whether descriptions of source papers in the literature review accurately reflected the arguments those papers make, and as a sounding board for whether specific passages conveyed the intended reasoning clearly. In all cases, the tool supported the authors' own writing rather than replacing it. Claude was not used to generate content, analyse data, or develop theoretical arguments, and every source cited in this thesis has been read, evaluated, and interpreted by the authors themselves. Suggestions that risked oversimplification or overclaiming were discarded.

Overall, AI served as an editorial tool, particularly for language polishing and ensuring consistency. All empirical work, theoretical reasoning, and analytical arguments reflect the authors' own effort.