



# **ALTLOOK: Valuation Quarterly Update—March 2024**

March 7, 2024

# Leading Provider of Global Risk and Financial Advisory Solutions

We help clients detect, manage and mitigate enterprise risk and make strategic and informed financial decisions to protect and maximize value

## Valuation

Valuation of businesses, assets and alternative investments for financial reporting, tax and other purposes.

## Compliance and Regulation

End-to-end governance, advisory and monitorship solutions to detect, mitigate and remediate security, legal, compliance and regulatory risk.

## Corporate Finance and Restructuring

M&A advisory, restructuring and insolvency, debt advisory, strategic alternatives, transaction diligence and independent financial opinions.

## Cyber Risk

Incident response, digital forensics, breach notification, managed detection services, penetration testing, cyber assessments and advisory.

## Environmental, Social and Governance

Advisory and technology solutions, including policies and procedures, screening and due diligence, disclosures and reporting, investigations, value creation and monitoring.

## Investigations and Disputes

World-wide expert services and tech-enabled advisory through all stages of diligence, forensic investigation, litigation, disputes and testimony.

## Digital Technology Solutions

Enriching our professional services, our integrated software platform helps clients discover, quantify and manage risk in the corporate and private capital market ecosystem.

## Business Services

Expert provider of complex administrative solutions for capital events globally. Our services include claims and noticing administration, debt restructuring and liability management services, agency and trustee services and more.

# Today's Agenda

1. New Regulation
2. Macro-economic Update
3. Valuation Hot Topics/Questions

# Speaker's Introduction

## Jenetta Mason



**Managing Director**

**Portfolio Valuation**

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Jenetta Mason is a managing director in the Chicago office and is part of the Portfolio Valuation group within Valuation Advisory Services practice. She specializes in the valuation of illiquid interests, investments and portfolios for private equity funds and hedge funds. Jenetta has performed valuations for global publicly traded and privately held clients across various industries, including consumer and industrial products, technology, healthcare, retail and many others.

Additionally, Jenetta has extensive experience encompassing the valuation of intangible assets, business interests, capital stock, partnership interests, and financial assets in connection with business combination decision support, financial reporting, corporate and estate tax planning and compliance, and dispute analysis.

Prior to joining Kroll, Jenetta was a director in the Valuation Services group at Grant Thornton LLP and was also part of the firm's subsidiary Grant Thornton Financial Advisors LLC, which is in the business of providing fairness opinion services.

Jenetta received her Bachelor of Science in accounting from Miami University.

# Lea Carty



**Managing Director**

**Private Capital Markets**

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Lea Carty joined the newly formed Kroll Digital Services in 2022, to focus on the development and commercialization of company credit-related data and analytics.

Prior to Kroll, Lea led the Investment Solutions Group at the London Stock Exchange Group, the credit decision support effort at ZAIS Group LLC, a specialist corporate credit hedge fund and CLO manager, and the Buyside Solutions Group of Bloomberg LP. While at Bloomberg, he also served as an executive director of Bloomberg Index Services, Ltd.

Prior to Bloomberg, Lea was a Managing Director in Lehman Brothers' Research department, focused on portfolio and index analytics capabilities. Before Lehman, Lea was a Managing Director with Moody's Investors Service where he led the quantitative bond default research effort and took a leading London-based role in the establishment of a new business unit – Moody's Risk Management Services (later Moody's KMV), which served as the analytic nucleus of what is now Moody's Analytics.

Before Moody's, Lea held positions with Bear Stearns, NY and Thomson-CGR, Paris and is currently a non-executive director of Credit Research Data Ltd in London. He holds degrees in French, Mathematics and Economics and has published research in the areas of credit risk, economic history, and credit market structure, in academic journals, professional journals, and books.

## David Larsen



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David Larsen is a managing director in the Alternative Asset Advisory practice, based in Seattle, Washington. He has more than 39 years of transaction and accounting experience. He specializes in fair value accounting, specifically for valuation, accounting and regulatory issues faced by alternative asset managers and investors.

David advises leading private equity managers and institutional investors and has advised numerous strategic and private equity acquirers in all areas of mergers, acquisitions, joint ventures, divestitures and valuation-related matters.

Prior to joining Kroll (formerly Duff & Phelps), David was a Partner in KPMG's Transaction Services practice, where he was the segment leader of KPMG's U.S. Institutional Investor practice. He served for 13 years in KPMG's Seattle, Düsseldorf and Prague audit practices before moving full time to advisory work.

David advises leading private equity managers and institutional investors and has advised numerous strategic and private equity acquirers in all areas of mergers, acquisitions, joint ventures, divestitures and valuation-related matters. He provides valuation policy and process assistance to a number of the world's largest institutional limited partner investors and some of the world's largest alternative investment managers.

David is a member of the International Valuation Standards Council (IVSC) Standards Review Board, an advisor to and has served as Vice Chair of the International Private Equity and Venture Capital Valuations Board (IPEV), which in 2018 released updated its International Private Equity Valuation Guidelines and serves as a member of the American Institute of Certified Public Accountants (AICPA) PE/VC Practice Guide Task Force. David's past professional affiliation and advisory experience includes serving as a special advisor to the Institutional Limited Partners Association; board member, project manager and technical advisor to the Private Equity Industry Guidelines Group and was instrumental in developing and drafting the Private Equity Industry Guidelines Group's Valuation and Reporting Guidelines; member of the Financial Accounting Standards Board's Valuation Resource Group responsible for providing the board with input on potential clarifying guidance on issues relating to the application of the principles of FASB ASC Topic 820, Fair Value Measurements; and a member of the AICPA Net Asset Value Task Force.

David received an M.S. in accounting from Brigham Young University's Marriott School and his B.S. in accounting from Brigham Young University.

# Peter Salvatori



**Managing Director**

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Peter Salvatori is a managing director in the Miami office and is part of the Portfolio Valuation service line. Peter's expertise focuses on portfolio valuation, as well as transaction-related valuations. He has more than 19 years of financial and valuation experience.

Peter specializes in advising a wide range of alternative asset managers, including hedge funds, private equity funds, and business development companies on valuing their positions in loans, subordinated and mezzanine debt, convertible debt, and common and preferred equity. Peter also has extensive experience in executing valuations of businesses and their underlying securities for tax, financial reporting, and strategic planning purposes, as well as performing decision support analyses for transactions under consideration.

Prior to joining Kroll, Peter was a senior portfolio analyst at a hedge fund specializing in direct private investments. There, he was responsible for monitoring and valuing the firm's portfolio companies and their underlying securities across a broad range of industries including media and telecom, financials, real estate, and hotels and gaming.

Peter has a B.S. in finance from the University of Vermont. He is also a Chartered Financial Analyst (CFA), and is a member of the CFA Institute and CFA Society New York.



# 1. New Regulation

# Regulatory Environment

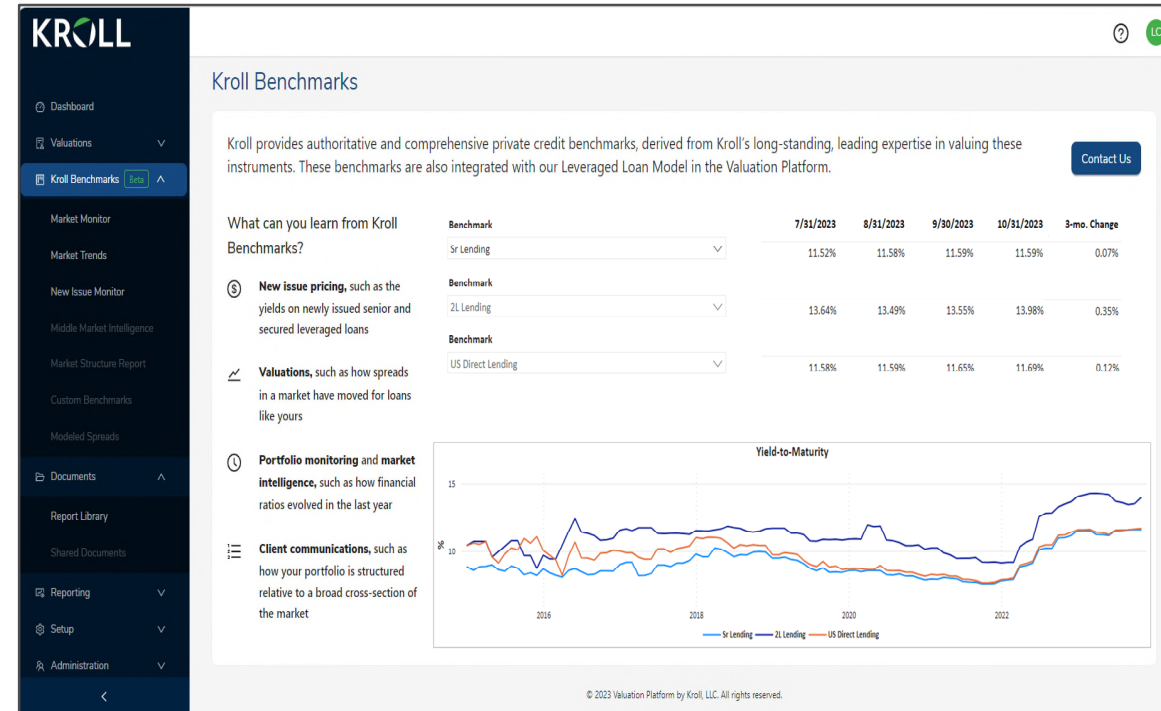
- International Valuation Standards
- SEC Continuation Fund Rules
- International Sustainability Standards Board

# 2. Macro-economic Update

# Private Credit Market: Benchmarks

Our market summary is derived from Kroll's performing private credit benchmarks. These are based on our experience valuing these assets over the last more than 15 years.

- These benchmarks are drawn from over 3,000 obligors of over 7,500 private credit instruments issued since 2004.
- The median EBITDA is \$60MM, centering these data on the middle market for direct lending.
- While we continue to build out the dataset supporting these benchmarks, we are publishing a **beta release and preview** on the Kroll Valuation Platform.
- **If you don't already have access** to these benchmarks on the valuation portal, **please reach out to me** at the address at the end of this presentation.



# Private Credit Market: Trends in Valuations

Over the course of 2023, senior and secured loan yields & spreads tightened while valuations improved

## Yields

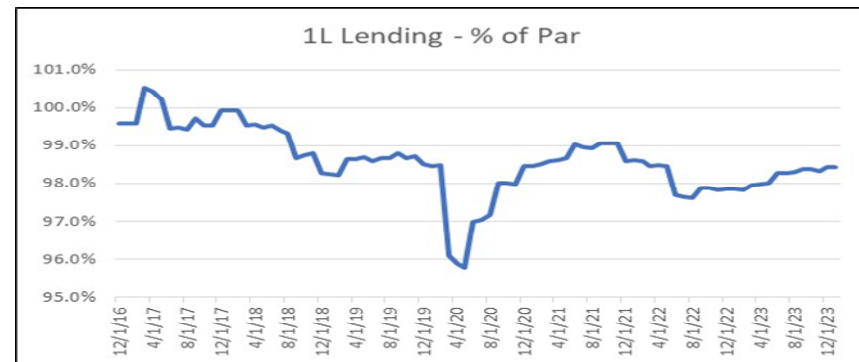
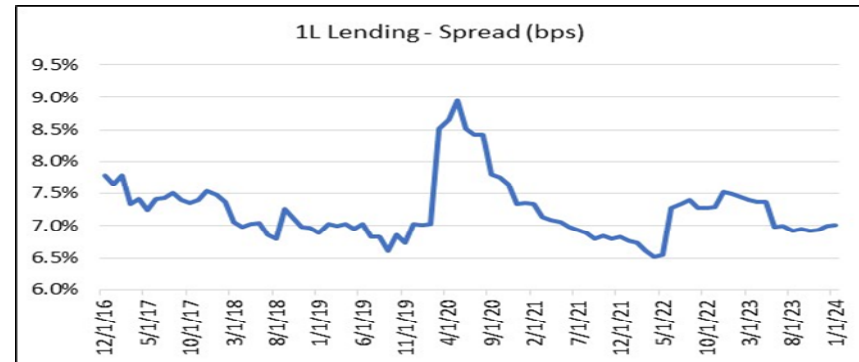
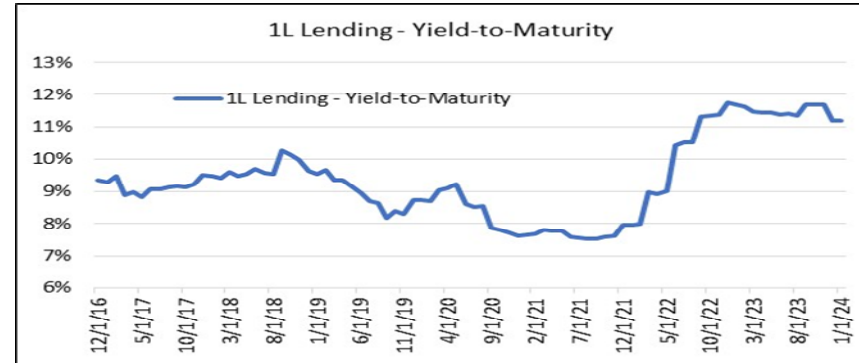
- The fair value-weighted yield-to-maturity of the loans in our first lien lending benchmark tightened by 56 bps to 11.18%.
- This is down from the recent highs at the end of last year, though yields remain elevated relative to recent history.

## Spreads

- The fair value-weighted spread of these loans also tightened by 52 bps to finish 2023 at 700.
- This level is comparable to pre-covid levels

## Valuations

- Valuations have continued their rebound from the trough they experienced following the start of the Fed’s campaign to raise rates and the coinciding increase in credit concerns.
- They ended 2023 at 98.437%, an increase of 58 bps from the start of last year.

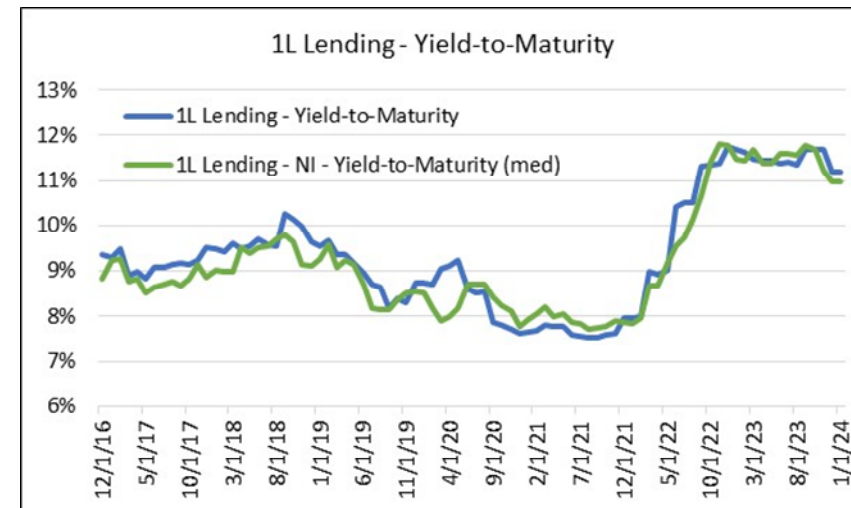
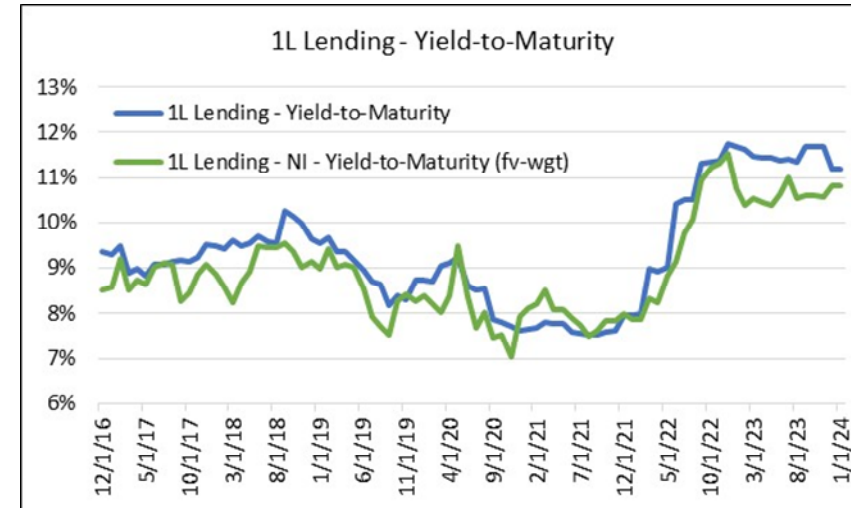


# Private Credit Market: New Issue Yields

Focusing on originations, The fair value-weighted yield of new issues also tightened though it showed greater intra-year variation

## New Issue Yields

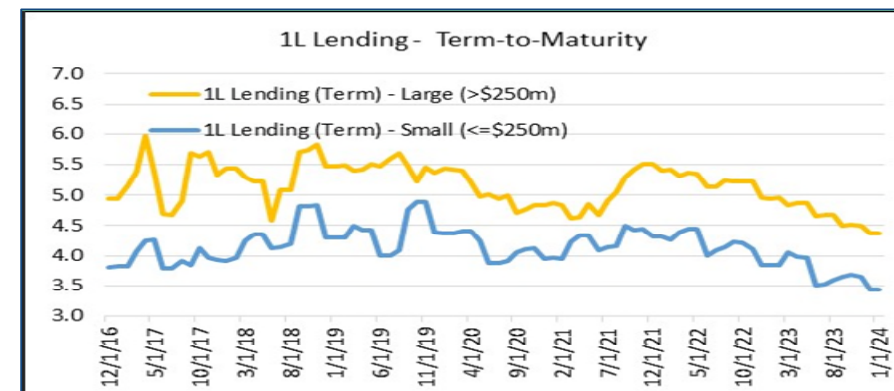
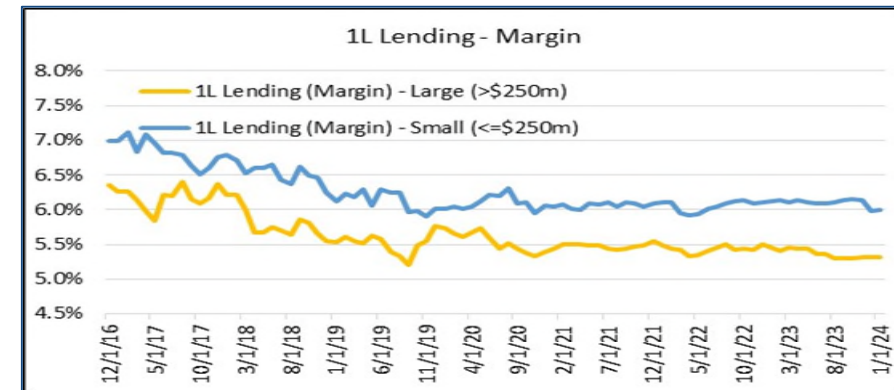
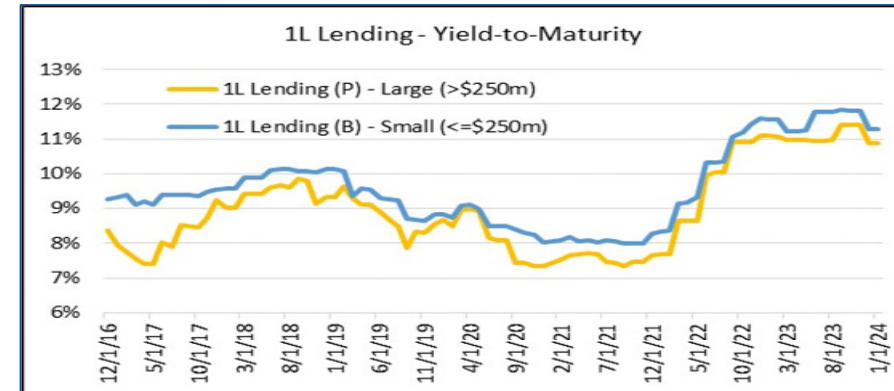
- The **fair value-weighted** yield-to-maturity for newly issued senior and secured loans (green line on the top chart) also tightened by 71 bps over 2023.
- The **median** value (the green line on the chart at right), however, shows less volatility.
- This suggests that the fair value weights – which emphasize larger issues - may drive some of the volatility seen above.



# Private Credit Market: Size Impact

To isolate the impact of size, we have partitioned the Sr Lending benchmark into large (i.e., >\$250m origination amount) and small issues (<=\$250m).

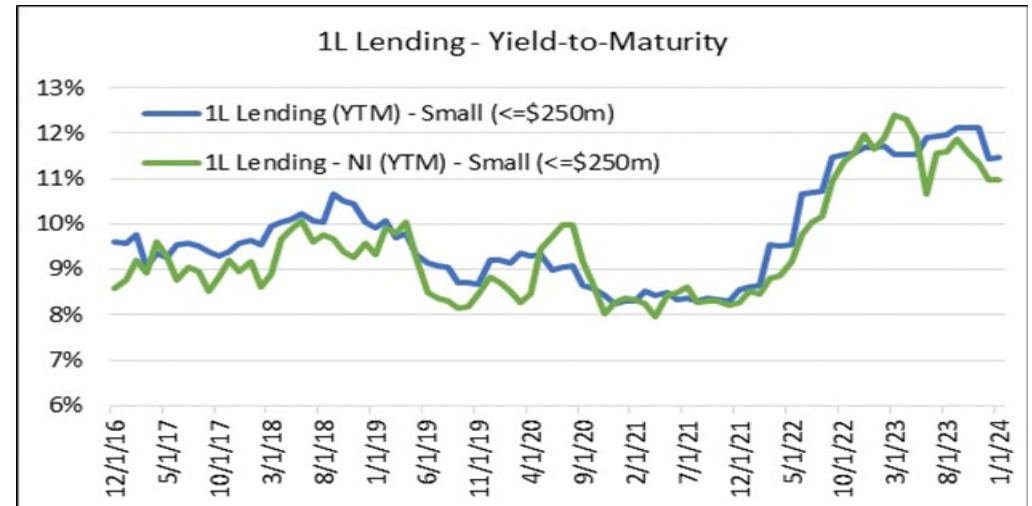
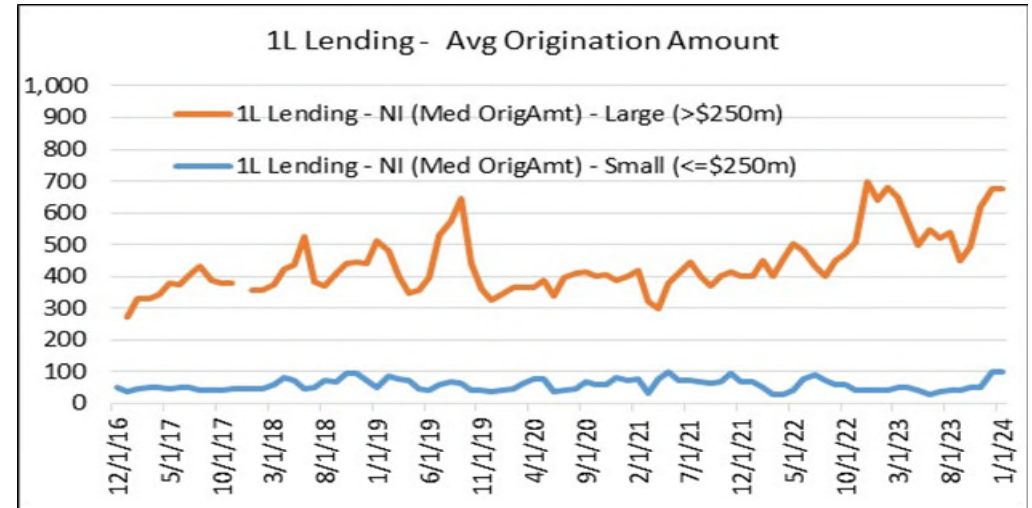
- The chart at right details the fair value-weighted yield-to-maturity for each of these sub-segments and it reveals a persistently lower yield for larger issues.
- This size effect shows up as well in loan margins – the contractual margin floating rate loans pay above a benchmark rate - with larger issues paying lower margins.
- It also shows up in loan term-to-maturity, where smaller issues have persistently shorter terms than do larger issues.



# Private Credit Market: Size Impact (cont'd)

Size appears to be correlated with loan spread, margin, and term

- The chart at right portrays the median issuance size for large vs small issues coming to market and a reveals significant upward trend for the large issues in recent years
- Separating benchmark constituents – both outstanding issues and new issues by size, reveals that controlling for this factor leads to a tighter correlation in yields.
- This exercise highlights the importance of understanding the drivers of valuations.
- This is particularly important in benchmark construction.

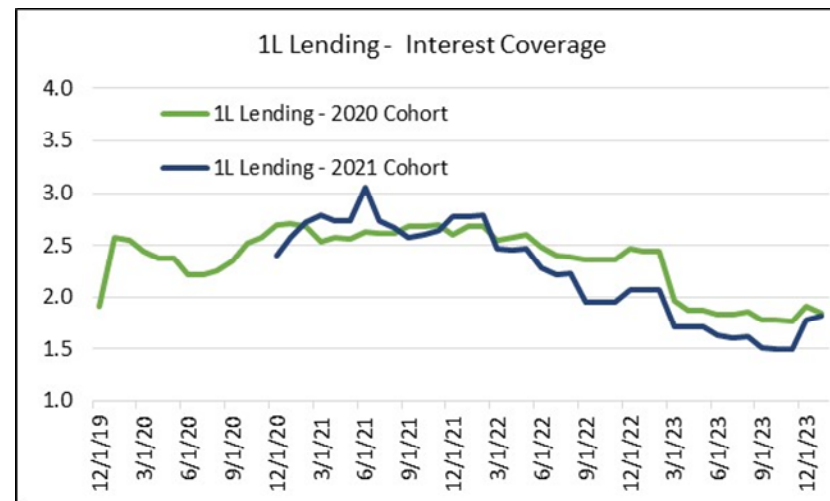
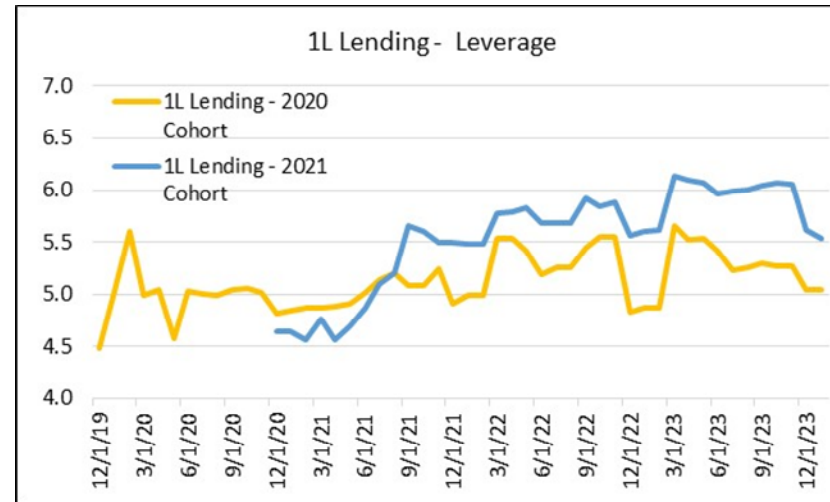




# Private Credit Market: Cohorts

## Cohort Analysis

- Median Leverage ratios for loans originated in 2020 are Lower in subsequent years than were those for loans originated in 2021.
- Median Interest Coverage ratios are higher for loans originated during 2020 than were those for loans originated in 2021.
- These results provide evidence that underwriting standards vary with market conditions.



# Highlights - Economies

## US

- The consumer price index increased 0.3% in January, the Bureau of Labor Statistics reported. On a 12-month basis, that came out to 3.1%, down from 3.4% in December.
  - Excluding volatile food and energy prices, the so-called core CPI accelerated 0.4% in January and was up 3.9% from a year ago, unchanged from December.
  - Shelter prices accounted for much of the rise, climbing 0.6% on the month, contributing more than two-thirds of the headline increase. On a 12-month basis, shelter rose 6%.
- Consensus is that the recent trend in inflation has enough for the Fed to begin a gradual cutting cycle beginning in June.
  - Relative to Q4'23, cuts have been pushed out and reduced.
- Recent economic strength, as well as the improvement in inflation conditions, can be attributed to the rebound in the labor force.
  - Supported by stronger participation rates and a rapid increase in net migration.
  - The civilian labor force, at 167.8mn in 4Q 2023, is 677,000 above what the CBO (Congressional Budget Office) projected for the end-2023 labor force in their January 2020 outlook.

## China

- China's property market has seen little sign of recovery so far, despite continued policy relaxation since 4Q last year.
  - New home sales, new starts, land transaction and property investment remain sluggish across the board.
  - Home prices have continued to trend down after peaking in mid-2021

## Europe

- Inflation eased again in February, falling to 2.6% (from 2.8% in January) as high interest rates, moderating oil and gas prices, and sluggish growth held back price increases in stores..

# Public Equity Performance

Equity Indices	Country / Region	2/29/2024								
		SPOT	1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ	5Y CAGR	10Y CAGR	
World	MSCI ACWI Index	World	761	4.17%	4.72%	10.95%	4.72%	21.03%	8.62%	6.38%
	MSCI EM (Emerging Markets) Index	World	1,021	4.63%	-0.27%	4.14%	-0.27%	5.91%	-0.58%	0.55%
	MSCI World Ex USA Index	World	2,301	1.56%	1.94%	8.18%	1.94%	10.94%	4.19%	1.73%
USA & Canada	<b>S&amp;P 500</b>	<b>United States</b>	<b>5,096</b>	<b>5.17%</b>	<b>6.84%</b>	<b>13.06%</b>	<b>6.84%</b>	<b>28.36%</b>	<b>12.85%</b>	<b>10.61%</b>
	Dow Jones Industrial Average	United States	38,996	2.22%	3.47%	12.31%	3.47%	19.41%	8.52%	9.10%
	NASDAQ Composite Index	United States	16,092	6.12%	7.20%	14.66%	7.20%	40.47%	16.39%	14.09%
	Russell 2000 Index	United States	2,055	5.52%	1.37%	8.17%	1.37%	8.32%	5.46%	5.68%
	S&P/TSX Composite Index	Canada	21,364	1.63%	1.93%	5.28%	1.93%	5.65%	5.95%	4.16%
Latin America	S&P Latin American 40 Index (iShares)	Latin America	28	1.06%	-3.27%	7.59%	-3.27%	18.16%	-3.78%	-1.85%
	AMEX Mexico Index	Mexico	335	0.77%	-2.84%	-2.47%	-2.84%	8.53%	12.72%	2.99%
Europe	FTSE 100 Index	United Kingdom	7,630	-0.01%	-1.33%	2.57%	-1.33%	-3.13%	1.52%	1.14%
	FTSE/ATHEX Large Cap Index	Greece	3,463	4.12%	10.91%	8.84%	10.91%	25.91%	13.54%	-3.35%
	Germany DAX Index (Performance)	Germany	17,678	4.58%	5.53%	10.86%	5.53%	15.05%	8.95%	6.19%
	Paris CAC 40 Index	France	7,927	3.54%	5.09%	8.35%	5.09%	9.07%	8.63%	6.04%
	Madrid Ibex 35 Index	Spain	10,001	-0.76%	-1.00%	5.21%	-1.00%	6.46%	1.51%	-0.11%
	OMX Stockholm 30 Index	Sweden	2,453	4.08%	2.37%	12.27%	2.37%	10.15%	9.30%	6.00%
	Swiss SMI Index	Switzerland	11,439	0.93%	2.70%	2.81%	2.70%	3.07%	4.03%	3.04%
	Brussels BEL 20 Index	Belgium	3,661	-0.04%	-1.25%	-0.12%	-1.25%	-6.17%	0.31%	1.69%
	Amsterdam AEX Index	Netherlands	848	3.69%	7.83%	14.10%	7.83%	12.69%	9.41%	7.85%
	Ireland ISEQ Overall Index	Ireland	9,490	3.39%	8.33%	6.08%	8.33%	15.52%	9.18%	6.21%
Asia Pacific	S&P BSE Sensex	India	72,500	1.04%	0.36%	11.83%	0.36%	22.96%	15.11%	13.13%
	Shanghai Stock Exchange Composite Index	China	3,015	8.13%	1.35%	-3.36%	1.35%	-8.06%	0.50%	3.90%
	Hang Seng Index	Hong Kong	16,511	6.63%	-3.14%	-10.18%	-3.14%	-16.55%	-10.43%	-3.19%
	Taiwan TAIEX Index	Taiwan	18,967	6.02%	5.78%	14.02%	5.78%	22.34%	12.79%	8.18%
	Nikkei 225 Index	Japan	39,166	7.94%	17.04%	20.07%	17.04%	42.71%	12.87%	10.19%
	South Korea Kospi Composite Index	South Korea	2,642	5.82%	-0.49%	3.37%	-0.49%	9.51%	3.78%	2.93%
S&P/ASX 200 Index	Australia	7,699	0.23%	1.42%	5.39%	1.42%	6.07%	4.53%	3.60%	
Industry Specific Indices	S&P 500 Energy (Sector)	United States	653	2.58%	2.05%	-3.59%	2.05%	2.37%	6.36%	0.23%
	S&P 500 Industrials (Sector)	United States	1,023	6.98%	5.99%	12.01%	5.99%	20.04%	9.81%	8.62%
	S&P 500 Materials (Sector)	United States	551	6.27%	2.09%	5.77%	2.09%	7.01%	9.87%	6.39%
	S&P 500 Consumer Discretionary (Sector)	United States	1,485	8.60%	4.74%	10.45%	4.74%	31.44%	11.37%	10.88%
	S&P 500 Consumer Staples (Sector)	United States	789	2.12%	3.53%	3.30%	3.53%	4.98%	7.12%	6.17%
	S&P 500 Health Care (Sector)	United States	1,686	3.11%	6.04%	8.85%	6.04%	13.93%	9.76%	9.40%
	S&P 500 Financials (Sector)	United States	670	3.96%	6.98%	17.41%	6.98%	12.99%	8.81%	8.66%
	<b>S&amp;P 500 Information Technology (Sector)</b>	<b>United States</b>	<b>3,749</b>	<b>6.19%</b>	<b>10.34%</b>	<b>20.10%</b>	<b>10.34%</b>	<b>57.49%</b>	<b>24.76%</b>	<b>20.21%</b>
	<b>S&amp;P 500 Communication Services (Sector)</b>	<b>United States</b>	<b>273</b>	<b>5.66%</b>	<b>10.77%</b>	<b>18.62%</b>	<b>10.77%</b>	<b>57.03%</b>	<b>12.09%</b>	<b>6.33%</b>
	S&P 500 Utilities (Sector)	United States	314	0.53%	-2.55%	-1.27%	-2.55%	-4.59%	1.76%	4.38%

# Credit Market Performance – US

		Price / Rate	Observation Date	Percentage Change				
				1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
Index	LCD Performing Loan Index Price (1)	96.98	2/29/2024	0.36%	0.38%	1.70%	0.38%	2.74%
	Smi LPC 100 Price - US (2)	96.10	2/29/2024	0.47%	0.26%	0.78%	0.26%	3.77%
SOFR	Three Month SOFR (3)	5.37%	2/29/2024	0.36%	-0.97%	-1.05%	0.05%	9.53%
Default Rates (1)	LTM \$ of Defaults / Total Loans Outstanding	1.41%	2/29/2024	-4.03%	-7.61%	-9.00%	-7.61%	39.02%
	LTM # of Defaults / Total Issuers	2.07%	2/29/2024	5.16%	1.21%	11.63%	1.21%	89.24%
		Current Spread	Observation Date	Change in Spread				
				1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
Loan Spreads by Credit Rating (1)	BBB Loans	2.18%	2/29/2024	-0.01%	0.04%	0.00%	0.04%	-0.10%
	BB Loans	3.12%	2/29/2024	-0.04%	0.04%	-0.08%	0.04%	-0.24%
	<b>B Loans</b>	<b>4.59%</b>	<b>2/29/2024</b>	<b>-0.12%</b>	<b>-0.12%</b>	<b>-0.62%</b>	<b>-0.12%</b>	<b>-1.32%</b>
	CCC Loans	13.52%	2/29/2024	-0.95%	-0.91%	-0.24%	-0.91%	-2.88%
Loan Spreads by Seniority (1)	Overall Market Spreads - Smi (2)	5.53%	2/29/2024	-0.24%	-0.22%	-0.52%	-0.22%	-0.90%
	All Loan Spreads - LCD	4.73%	2/29/2024	-0.15%	-0.17%	-0.47%	-0.17%	-0.94%
	First Lien Spreads - LCD	4.58%	2/29/2024	-0.15%	-0.16%	-0.43%	-0.16%	-0.81%
	Second Lien Spreads - LCD	12.85%	2/29/2024	0.31%	-0.03%	-0.42%	-0.03%	-4.19%
Loan Spreads by Industry (2)	Aerospace and Defense	5.93%	2/29/2024	-0.23%	0.33%	-0.25%	0.33%	-1.34%
	Automotive	6.05%	2/29/2024	0.11%	-0.32%	-0.57%	-0.32%	-1.68%
	Beverage and Food	4.97%	2/29/2024	-0.95%	-0.95%	-1.38%	-0.95%	-1.49%
	Chemicals and Plastic	6.22%	2/29/2024	1.92%	0.73%	0.20%	0.73%	0.07%
	Construction	4.27%	2/29/2024	-0.55%	-0.04%	-0.22%	-0.04%	-1.28%
	Financial Services	4.75%	2/29/2024	-1.77%	-0.15%	-0.42%	-0.15%	-0.65%
	Healthcare	6.67%	2/29/2024	2.90%	-0.27%	-0.97%	-0.27%	-1.41%
	Hotel and Gaming	3.62%	2/29/2024	-1.57%	-0.18%	-0.19%	-0.18%	-0.66%
	Leisure	4.85%	2/29/2024	-0.66%	-0.66%	-0.78%	-0.66%	-1.07%
	Manufacturing	5.59%	2/29/2024	0.85%	-0.13%	-0.41%	-0.13%	-0.99%
	Media	4.90%	2/29/2024	-1.21%	0.15%	0.05%	0.15%	-0.94%
	Mining	5.12%	2/29/2024	0.81%	-0.30%	0.09%	-0.30%	-0.33%
	Oil and Gas	3.93%	2/29/2024	-1.96%	-0.60%	-0.67%	-0.60%	-1.35%
	Paper and Packaging	5.57%	2/29/2024	-1.01%	0.08%	0.30%	0.08%	-0.90%
	REITs	6.67%	2/29/2024	-0.30%	-0.23%	-0.61%	-0.23%	-0.04%
	Restaurants	3.81%	2/29/2024	-1.91%	-0.15%	-0.41%	-0.15%	-2.10%
	Retail	4.09%	2/29/2024	2.95%	-0.59%	-1.38%	-0.59%	-2.49%
	Services	5.80%	2/29/2024	0.03%	-0.54%	-0.48%	-0.54%	-0.63%
	Technology	5.73%	2/29/2024	-1.27%	-0.24%	-0.21%	-0.24%	-0.57%
	Telecom	6.80%	2/29/2024	0.46%	-0.65%	-1.04%	-0.65%	-1.02%
Textiles and Apparel	6.74%	2/29/2024	1.85%	0.60%	-1.11%	0.60%	0.54%	
Transportation	4.84%	2/29/2024	-0.17%	-0.34%	-0.09%	-0.34%	-0.89%	
Utilities	5.01%	2/29/2024	2.76%	-0.07%	-0.34%	-0.07%	-0.72%	

Notes:

- (1) Data per Pitchbook Leveraged Commentary and Data.
- (2) Data per Refinitiv LPC.

# Commodities

	Price	Observation Date	Percent Change					
			1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ	
<b>Crude Oil</b>								
WTI	76.81	2/29/2024	1.27%	6.92%	-6.63%	6.92%	-0.31%	
Brent	81.91	2/29/2024	1.69%	6.32%	-5.67%	6.32%	-1.85%	
Nasdaq Clean Edge Green Energy Index	460.15	2/29/2024	1.27%	-16.65%	-26.08%	-16.65%	-34.53%	
S&P/TSX Renewable Energy and Clean Technology Index	117.77	2/29/2024	-6.97%	-2.34%	-5.01%	-2.34%	-18.50%	
Gold	2,054.70	2/29/2024	-0.61%	-0.83%	5.53%	-0.83%	11.87%	
Silver	22.89	2/29/2024	-1.23%	-4.99%	-6.48%	-4.99%	8.61%	

# Highlights – Key Asset Classes

## ➤ Private Capital Markets

- Spreads on lower middle market loans are compressing, mirroring the trend for larger deals, but may not be falling as rapidly, market participants say.
- LBO purchase multiples remain depressed.
  - There is consensus that deal activity is expected to pick up significantly in 2024.
- Venture remains challenged – there needs to be a key pathway to profitability or exit.

## ➤ Real Estate

- Tenants gave back nearly 55 million SF in 2023, making it the fourth straight year of negative absorption and bringing the cumulative amount since 2020 to -170 million SF.
  - This is nearly four times the amount recorded during the Great Recession and three times as much as after the dot-com bust in 2001.
  - It has helped push vacancy to a record 13.8%.

## ➤ Oil

- The IEA's latest oil market report painted a balanced outlook for oil markets in 2024.
  - Estimates for demand growth were trimmed only slightly to 1.28mm bpd (103mm bpd); but with non-OPEC supply raised by 200,000 bpd, total supply growth ex OPEC is now seen at 1.5mm bpd, so that there is no room for OPEC to add back supplies.
  - The ongoing Red Sea conflict is impacting supply side logistics as oil on water has increased adding downward pressure on useable onshore barrels which stands at the lowest level since 2016, and which we suggest has some impact from a backward oil curve.

## ➤ Gold

- ~\$2,100/ounce and ~\$66,000/coin, respectively. Both have seen substantial gains in Q4'23 and Q1'24.

# Highlights – Valuation Implications

## Q1 themes

### ➤ Valuation

- Public observation: growth highly concentrated in large businesses with tech focus.
- Private market translation: while valuations have ‘held up’ mark-ups may be hard to come by.

### ➤ Rates

- Public observation: higher for longer among the more coined terms in 2023.
- Private market translation #1: long duration assets such as growth equity and venture capital may continue to be challenged. On the credit side, any fixed income instrument may also continue to see pressure.
- Private market translation #2: for those portfolio companies that have locked in low rates (fixed pay or via swap), there can be meaningful benefits that should accrue to shareholders.
- Private market translation #3: in the LBO market, where deals are getting done, larger equity checks are getting cut.
  - Keeping multiples in check.

### ➤ Credit

- Majority of defaults are now occurring before the actual maturity date.
  - High real yields that erode interest servicing capacity will be the greater driver of current default cycle.
  - Reduced “optionality” relative to past downturns.
  - Now a recovery measurement (vs yield in the past).

# 3. Valuation Hot Topics/Questions



# Valuation Hot Topics

What Questions are LPs/Regulators/Auditors Asking or expected to Ask?

- Is the Press correct? Is Debt overvalued?
- Observable transactions – how much weight should be given?
- What is the impact of FASB's prohibition to take into account contractual restrictions?
- Other

# Stay Ahead with Kroll:

## Register Now for Our Upcoming Webinars

➤ **Webinar - Incorporating Digital Risk Exposure in Your Threat Detection Strategy**

March 27, 2024 | 11:00 a.m. – 11:45 a.m. (EDT) | ( Online )

[Register Now](#)

➤ **Webinar - State of Cyber Defense: Healthcare Edition**

April 24, 2024 | 11:00 a.m. – 11:45 a.m. (EDT) | ( Online )

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**Thank You!**

**Learn More About Kroll**

# Valuation Advisory Services

Financial Reporting	Tax	Alternative Asset Advisory	Real Estate Services	Fixed Asset Advisory Services
<ul style="list-style-type: none"> <li>Purchase Price Allocation</li> <li>Goodwill and Asset Impairment</li> <li>Intellectual Property Valuation</li> <li>Fresh Start Accounting</li> <li>Derivative Valuation and Share-Based Compensation</li> <li>Business Valuation</li> <li>Strategic Value Advisory</li> </ul>	<ul style="list-style-type: none"> <li>Tax Valuation</li> <li>Transfer Pricing</li> <li>Legal Entity Valuation</li> <li>Purchase Price Allocation</li> <li>Estate and Gift Tax</li> <li>Interest Expense Allocation</li> <li>Property Tax Consulting</li> <li>Sales and Use Tax Services</li> <li>Site Selection and Incentives Advisory</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Valuation</li> <li>Valuation Policy and Procedures Consulting</li> <li>Fund Manager Valuations</li> <li>Created Value Attribution</li> <li>Secondary Transfers</li> <li>Valuation of Illiquid and Complex Securities</li> <li>Derivatives and Structured Credit Products Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Real Estate Valuation and Consulting</li> <li>Real Estate Financing Valuations</li> <li>Hospitality Advisory Services</li> <li>Right of Way Appraisal</li> <li>Cost Segregation</li> <li>Real Estate Investment Advisory</li> <li>Real Estate Transaction Advisory</li> <li>Property Asset Management and Optimization</li> </ul>	<ul style="list-style-type: none"> <li>Fixed Asset Management</li> <li>Insurance Valuation Services</li> <li>Machinery and Equipment Valuation</li> </ul>

# Our Evolution

In Operation for  
Nearly 100 Years

## STORIED BRAND 1932-2004

- Duff & Phelps founded as investment research firm

## NEW FIRM, EXPANDING CAPABILITIES 2005-2020

- Started as valuation and corporate finance advisor
- Rapid growth into other governance, risk, compliance and complementary solutions
- Acquired 30+ businesses, including Kroll

## ONE TEAM, ONE KROLL 2021-present

- Duff & Phelps rebrands as Kroll and completes brand unification
- Full business life cycle capabilities across risk, governance and growth
- Serving clients in 140 markets across nearly every industry and sector
- Acquired Crisp and Resolver risk companies
- Acquires AVC Ltd. to create dedicated energy team within FAAS practice

# Our Values

Our six values are at the core of who we are and how we interact with our people, clients and partners at work and within every community we serve. They describe the expectations our clients should have of us, guide how we work with each other, and hold us accountable to consistently deliver.

### Excellence

Excellence is a mindset – we do challenging work and pursue extraordinary results. We relentlessly focus on excellence – for our clients and colleagues.

### Ambition

We are energized to learn, to teach, to grow. We constantly seek to do better – comfort and excellence rarely co-exist.

### Courage

We make bold decisions, not just the easy ones. We find, reveal and tell the truth. Integrity is the foundation of everything we do.

### Inclusion

We embrace and cultivate diversity – we respect, include and value one another. We support and care about the communities where we live and work.

### Innovation

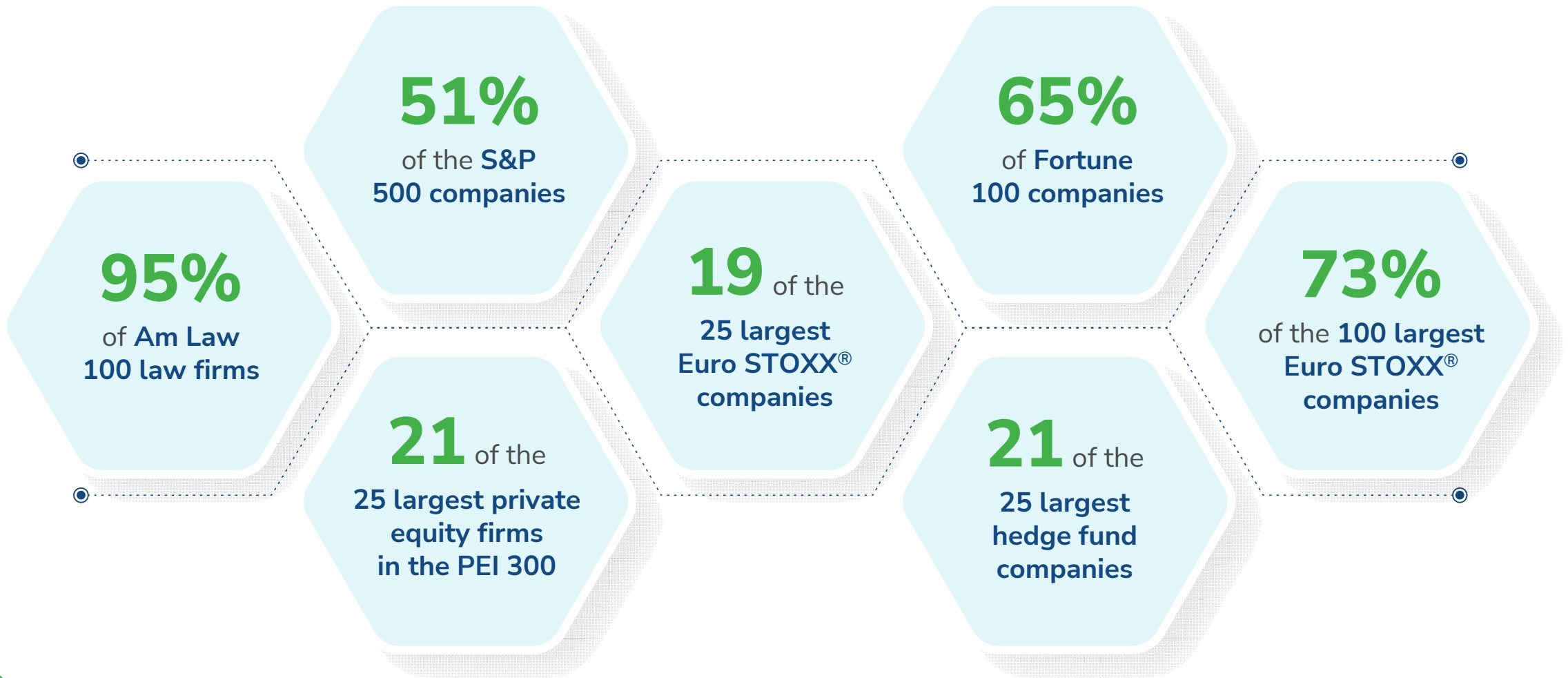
We challenge ourselves to discover new ways to create value. We harness the power of smart data with technology to enable faster decisions and always anticipate what's next for our clients.

### One Team, One Kroll

We are stronger together – always focused on solutions, not silos. We collaborate across borders and disciplines in pursuit of excellence.



# We are proud to work with





# Our Awards and Rankings

## Financial Advisory Recognition



# Our Awards and Rankings

## Risk Advisory Recognition



**Who's Who Legal (WWL) 2022**

Experts recognized in WWL Asset Recovery, Construction – Quantum Delay & Technical, Forensic Accountants Quantum of Damages



**Global Arbitration Review's GAR 100 Expert Witness Firms Power Index - 2022**

Ranked fifth on the annual list of top expert firms globally.



**Global Investigations Review (GIR) 100 2021**

Named as one of the top 100 cross-border investigations practices



**Forrester Wave™ 2022**

Kroll named a Strong Performer in the Forrester Wave™ Cybersecurity Incident Response Services Q1 2022



**SC Awards Europe 2022**

**Winner** - Managed Detection and Response Solution

**Finalist** - Best Incident Response Solution



**IDC MarketScape 2021**

Named a Global Leader in Incident Response Readiness



**G2 Awards 2022**

G2 Best Support 2022

# Our Locations

6,500 professionals worldwide continuing the firm's nearly 100-year history of trusted expertise. Across 34 countries and territories worldwide



## ○ The Americas

- Atlanta
- Austin
- Bermuda
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- Buenos Aires
- Boston
- Chicago
- Dallas
- Ellensburg
- Houston
- Los Angeles
- Mexico City
- Morristown
- Nashville
- New York
- Philadelphia
- Richardson
- San Francisco
- Sao Paulo
- Seattle
- Secaucus
- Silicon Valley
- Toronto
- Washington, D.C.
- Waterbury

## ○ Caribbean

- British Virgin Islands
- Cayman Islands

## ○ Europe, Middle East and Africa

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- Barcelona
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- Bilbao
- Birmingham
- Brussels
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- Johannesburg
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- Milan
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- Padua
- Paris
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- Turin
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#### About Kroll

As the leading independent provider of risk and financial advisory solutions, Kroll leverages our unique insights, data and technology to help clients stay ahead of complex demands. Kroll's global team continues the firm's nearly 100-year history of trusted expertise spanning risk, governance, transactions and valuation. Our advanced solutions and intelligence provide clients the foresight they need to create an enduring competitive advantage. At Kroll, our values define who we are and how we partner with clients and communities. Learn more at [www.kroll.com](http://www.kroll.com).

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