

Cost of Capital in the Current Environment

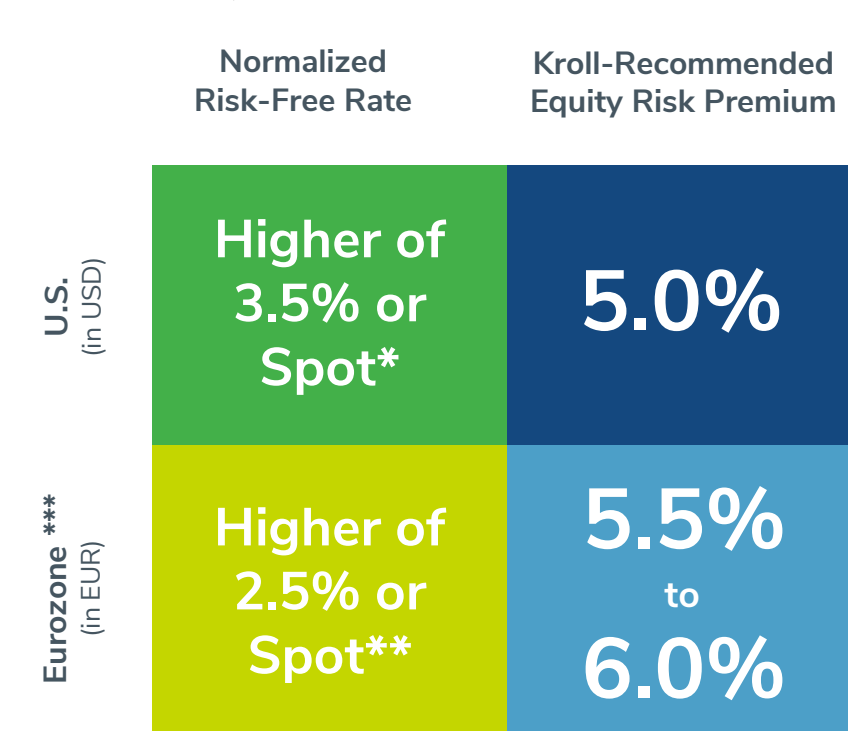
June 2024 Update

Global economic growth in 2024 is continuing to show signs of resilience, despite the overhang of restrictive monetary policies. Economists are now expecting a soft landing for the global economy, even though real growth is expected to moderate in major emerging markets such as China and Brazil. In contrast, the UK experienced a technical recession at the end of 2023 and the Eurozone narrowly escaped one. Signs of a modest recovery are now surfacing in these economies and expectations of rate cuts are helping investor sentiment. Inflation has decelerated significantly, at a faster pace than many anticipated, with ECB policy rate cuts projected to start in mid-2024, followed by the Bank of England in the summer. In the U.S., while growth has been surprisingly resilient, inflation has been "stickier" than in Europe, leading expectations for Fed rate cuts to be pushed further out to the end of the year and into 2025. Despite the prospect of higher-for-longer interest rates, the promise of significant productivity gains from generative artificial intelligence has buoyed U.S. stock markets to new record highs. From a geopolitical standpoint, it is worth noting that 2024 is a year of presidential/parliamentary elections in many countries around the globe, including but not limited to India, the UK and the U.S., which could give rise to unexpected instability as the year progresses.

Carla S. Nunes, CFA – Managing Director, Valuation Digital Solutions/Office of Professional Practice, Kroll

Kroll Cost of Capital Inputs

Data as of June 5, 2024



* We recommend using the spot 20-year U.S. Treasury yield as the proxy for the risk-free rate. If the prevailing yield as of the valuation date is higher than our recommended U.S. normalized risk-free rate of 3.5%. This guidance is effective when developing USD-denominated discount rates as of June 16, 2022, and thereafter.

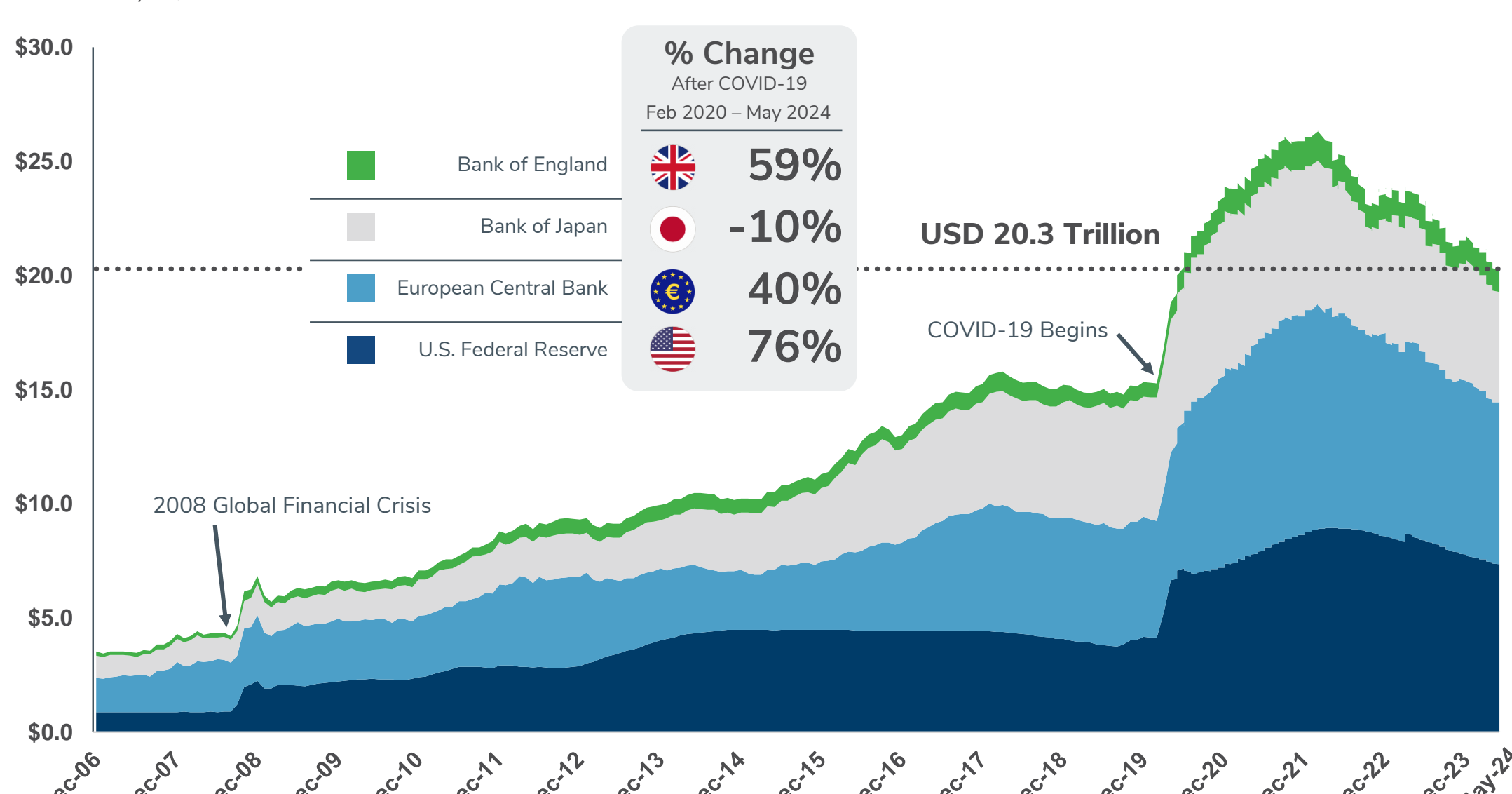
** We recommend using the spot 15-year German government bond yield as the proxy for the risk-free rate. If the prevailing yield as of the valuation date is higher than our recommended German normalized risk-free rate of 3.0%. This guidance is effective when developing EUR-denominated discount rates as of March 31, 2024, and thereafter.

*** German normalized risk-free rate and Eurozone equity risk premium (ERP) for use in EUR-denominated discount rates from a German investor perspective. Our current ERP recommendation is at the bottom of the range. Additional country risk adjustments may be warranted when estimating discount rates for other countries in the Eurozone.

For more information, visit: <https://www.kroll.com/costofcapitalnavigator>

Total Assets Held by Major Central Banks Over Time

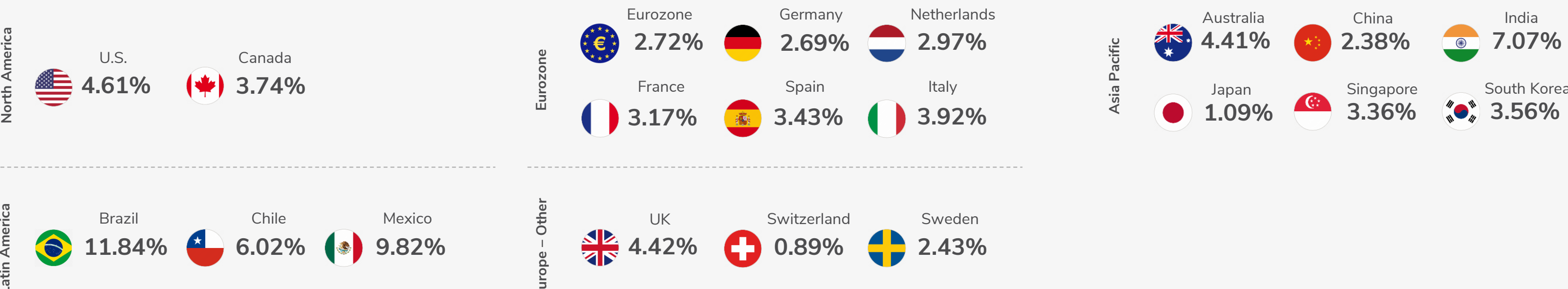
Data as of May 29, 2024



Sources: Capital IQ, FRED® Economic Data, Bank of England, Bank of Japan and European Central Bank

Global 10-Year Government Bond Yields

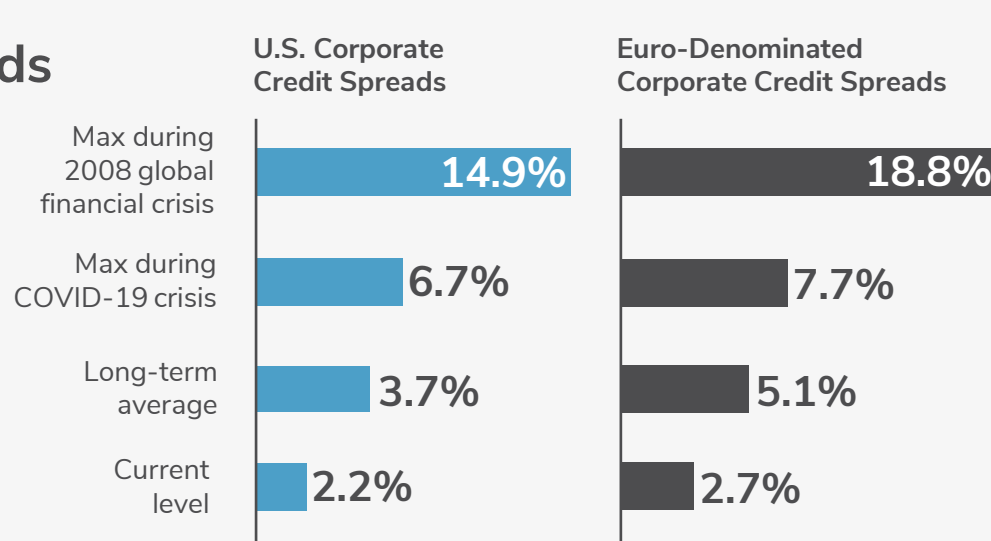
Data as of May 29, 2024



Sources: Refinitiv (Brazil, Chile, India, Mexico), European Central Bank (Eurozone aggregate yield) and Capital IQ (other countries)

Global Credit Spreads

Data as of May 29, 2024

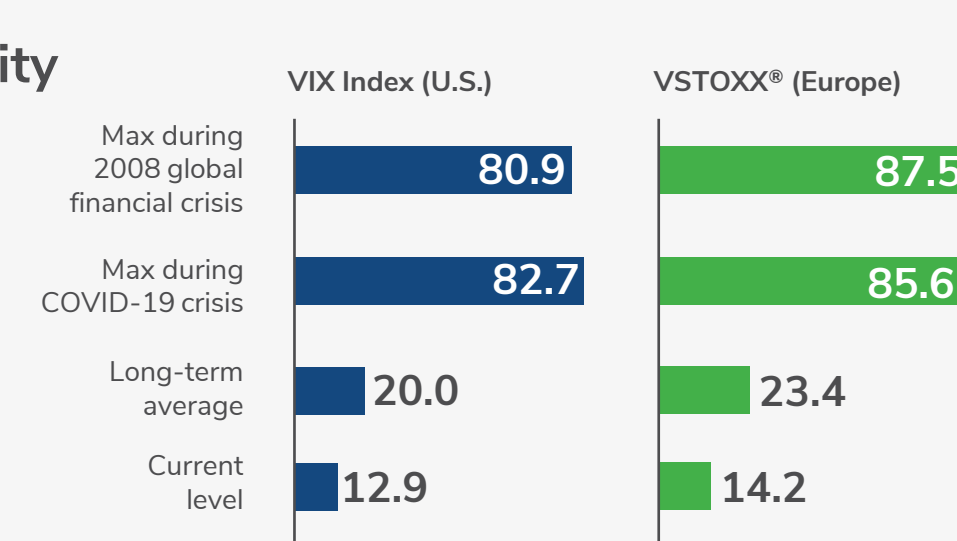


Sources: FRED® Economic Data, Bloomberg

U.S. corporate credit spreads are based on the difference in effective yields between the ICE BofA U.S. High Yield Index and the ICE BofA U.S. Corporate Bond Index. Euro-denominated corporate credit spreads are based on the difference in effective yields between the Bloomberg Pan-European High Yield Index (EUR) and the Bloomberg Euro Aggregate Corporate Bond Index. Long-term averages are based on 1996 to present for U.S. credit spread daily series, and 1998 to present for EUR-denominated credit spread monthly series.

Global Market Volatility

Data as of May 29, 2024

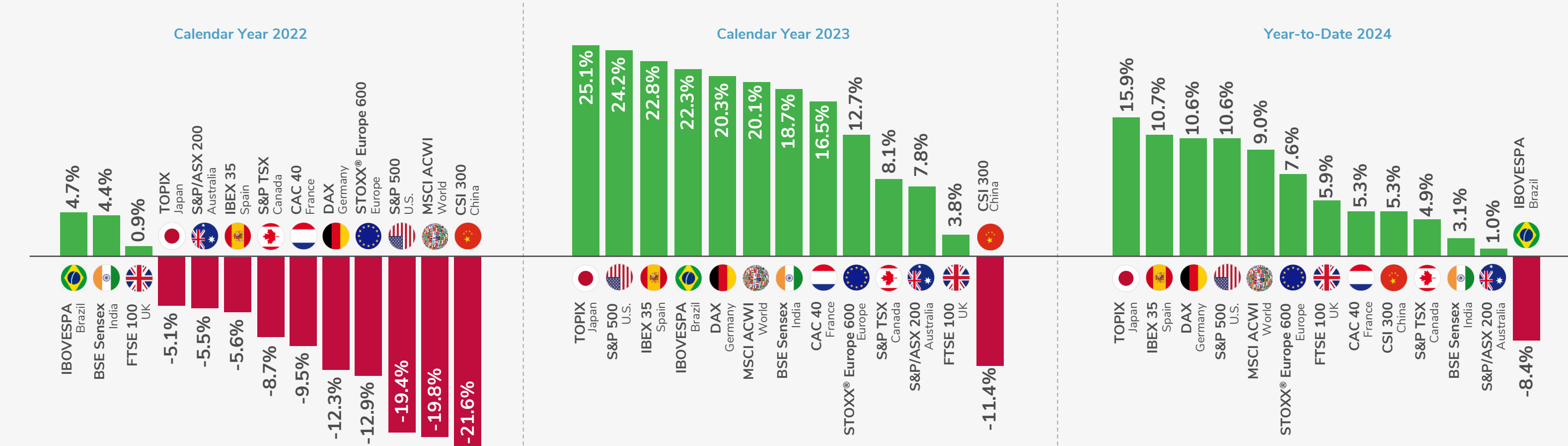


Sources: Capital IQ

Long-term averages are based on 1995 to present for VIX daily series, 1999 to present for VSTOXX daily series.

Stock Market Performance

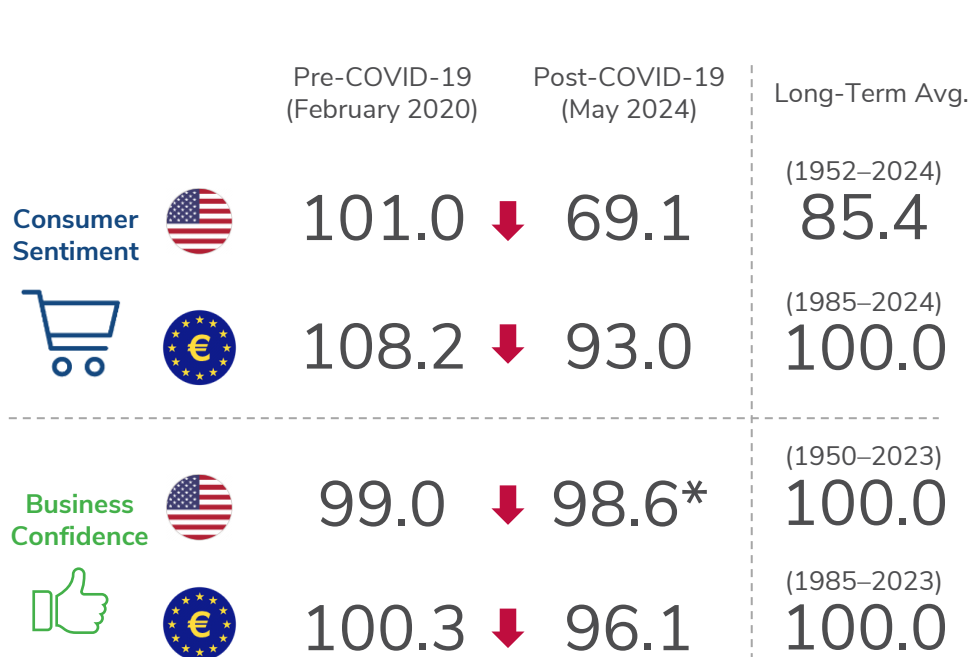
Data as of May 29, 2024



Sources: Capital IQ

U.S. and Eurozone Consumer Sentiment vs. Business Confidence

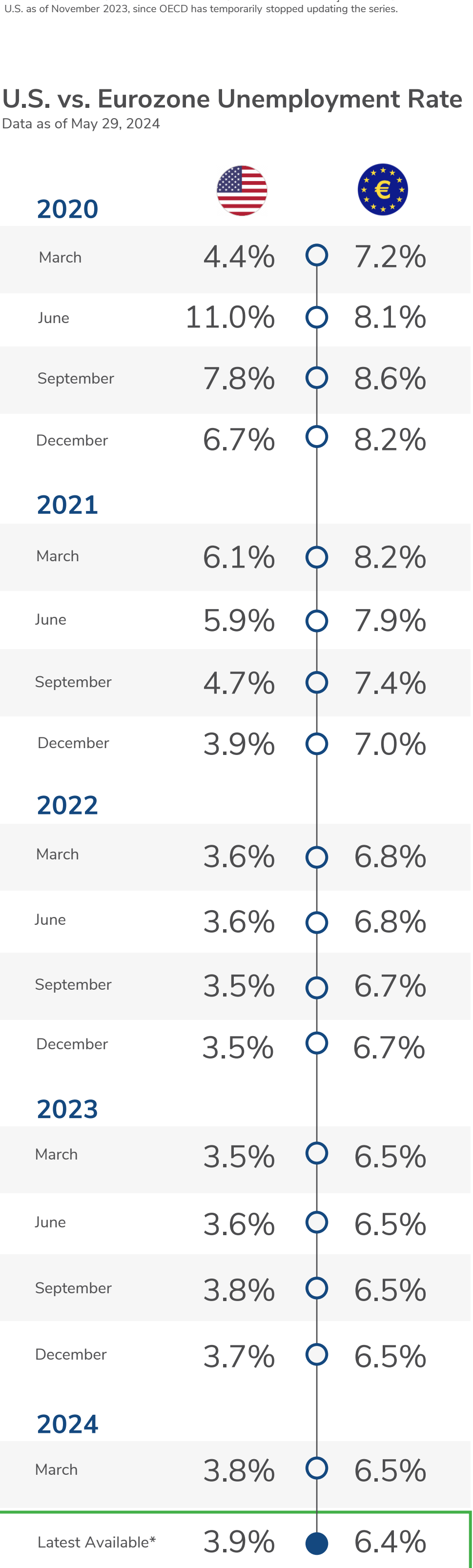
Data as of May 29, 2024



* Latest data available is as of November 2023

U.S. and Eurozone Unemployment Rate

Data as of May 29, 2024

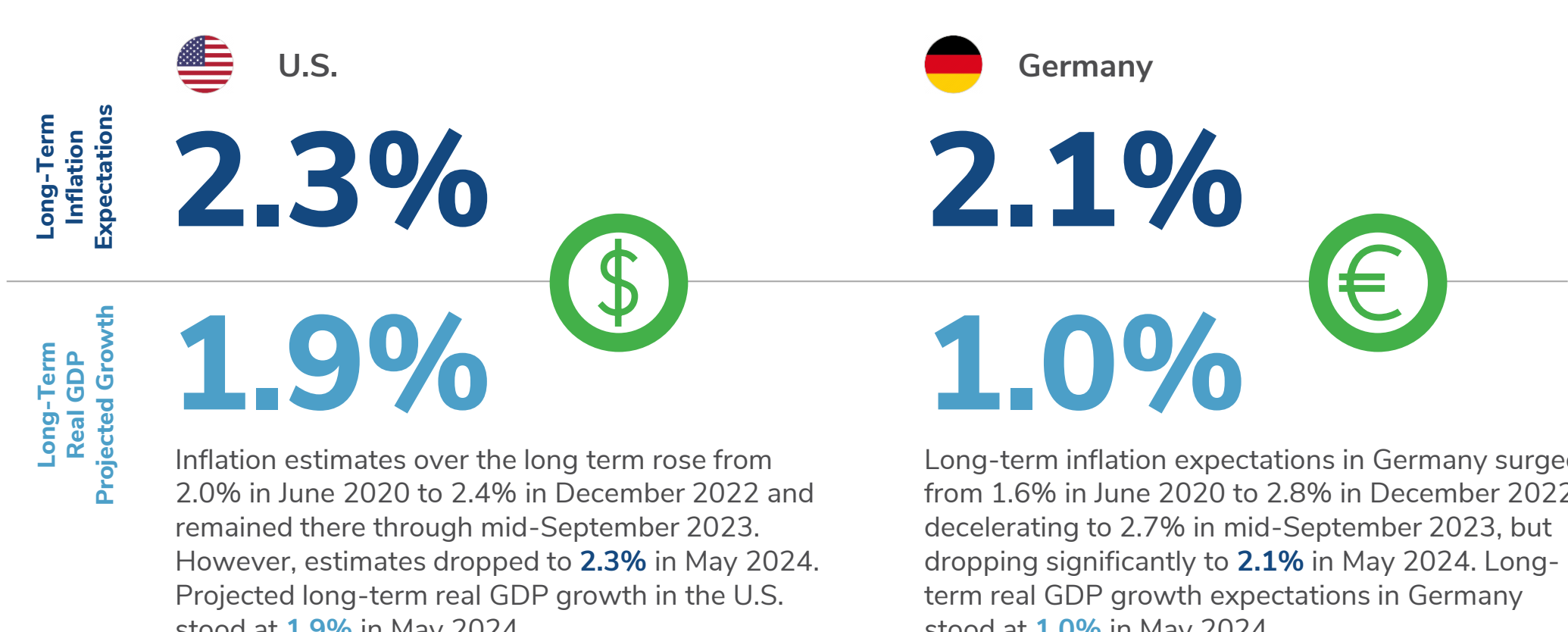


Sources: U.S. Bureau of Labor Statistics and Eurostat

* Data through April 2024

Long-Term Inflation Expectations and Real GDP Growth (Median)

Data as of May 29, 2024



Inflation estimates over the long term rose from 2.0% in June 2020 to 2.4% in December 2022 and remained there through mid-September 2023. However, estimates dropped to 2.3% in May 2024. Projected long-term real GDP growth in the U.S. stood at 1.9% in May 2024.

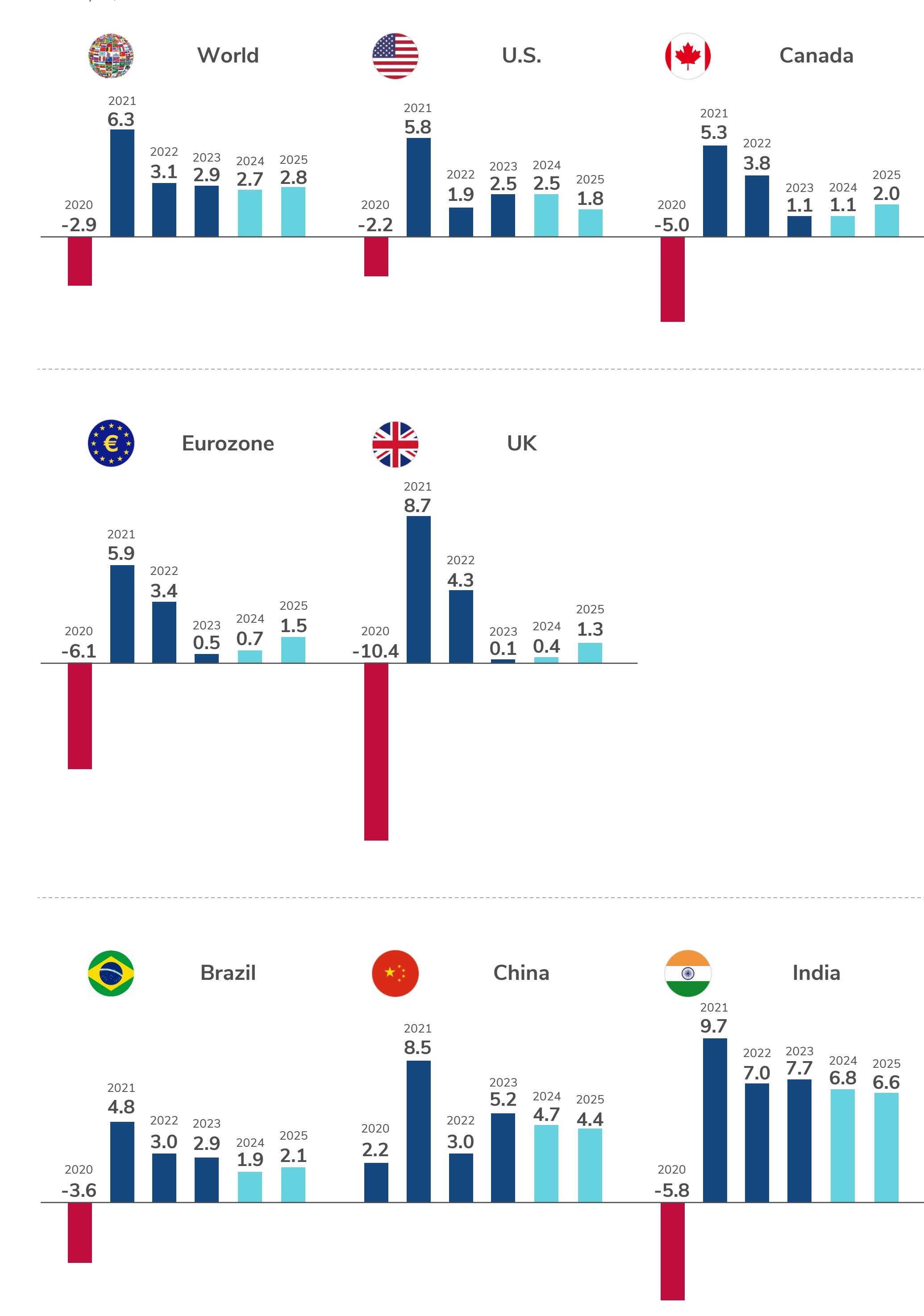
Long-term inflation expectations in Germany surged from 1.6% in June 2020 to 2.8% in December 2022, decelerating to 2.7% in mid-September 2023, but dropping significantly to 2.1% in May 2024. Long-term real GDP growth expectations in Germany stood at 1.0% in May 2024.

Sources of underlying U.S. data: 1) Real GDP growth data was sourced from Blue Chip Economic Indicators, Blue Chip Financial Forecasts, Consensus Economics, S&P Global Market Intelligence (formerly IHS Markit), Federal Reserve Bank of Philadelphia (Livingston Survey, and Survey of Professional Forecasters), and Oxford Economics; 2) Inflation expectations relied on the sources already listed under real GDP growth data, as well as data from the Federal Reserve Bank of Cleveland, the Federal Reserve Bank of Philadelphia (Aruba Term Structure of Inflation Expectations), and the University of Michigan's Surveys of Consumers Inflation Expectations.

Sources of underlying German real GDP growth and inflation data: Consensus Economics, Economist Intelligence Unit, S&P Global Market Intelligence (formerly IHS Markit), International Monetary Fund, Oxford Economics and PwC.

Real GDP Growth (%) Estimates (Median)

Data as of May 21, 2024



Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, Economist Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Moody's Analytics, Oxford Economics and S&P Global Ratings. Some sources did not have data available for all countries and regions.

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 team of more than 6,500 professionals worldwide 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 [Kroll.com](https://www.kroll.com).

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Kroll Securities, LLC (member FINRA/SIPC), M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Kroll Securities Ltd., which is authorized and regulated by the Financial Conduct Authority (FCA). Valuation Advisory Services in India are provided by Kroll Advisory Private Limited (formerly, Duff & Phelps India Private Limited), under a category 1 merchant banker license issued by the Securities and Exchange Board of India.

© 2024 Kroll, LLC. All rights reserved.