KROLL

Cost of Capital in the Current Environment

May 2025 Update

"The inauguration of U.S. President Donald Trump in January 2025 was met with optimism that business-friendly policies would fuel M&A and IPO activity. Since then, trade tariffs announced and/or implemented by the U.S. Administration have played a role in global market turmoil, with economists downgrading economic growth for 2025 across many geographies. "Liberation Day" reciprocal tariffs announced on April 2, 2025, are currently on pause until July, but could be reinstated for several U.S. trading partners if trade deals fail to materialize. Retaliatory tariffs on China are also on pause until August. The outcome of an American-Chinese bilateral deal may further affect trade between the two nations and potentially place further inflationary pressures on U.S. consumers. The global economy is expected to grow for the next two years at a pace like that observed in 2024, but below pre-pandemic levels of around 3.4% (based on 1980–2019 average). The U.S. economy may see a slowdown in 2025, with some economists predicting a shallow recession as uncertainty and higher prices weigh on business decisions and consumer spending. Unknown, for the time being at least, is what impact the tax and spending package dubbed "One Big Beautiful Bill Act" will have. Tax cuts and incentives could spur U.S. economic activity but, according to preliminary estimates, the bill could add close to $4 trillion to the U.S. national debt over a 10-year period. Trade uncertainty and the possibility of a continued rise in the budget deficit and national debt are keeping long-term U.S. interest rates high and volatile, while contributing to Moody's downgrade of its U.S. sovereign debt rating from "Aaa". The Fed is expected to be more cautious when deciding to cut its policy rate further in 2025. In Europe, while a modest recovery is underway, the uncertainty caused by U.S. policies are clouding the outlook for the remainder of 2025. The Bank of England and especially the ECB are expected to keep cutting policy rates in 2025 to balance potential economic slowdown related to U.S. tariffs. Meanwhile, China continues to suffer from lackluster domestic demand and a deflationary environment. Additional trade tariffs on Chinese exports could affect growth in 2025. Recent court rulings pertaining to the validity of certain U.S. tariff does not necessarily mean that they will not resurface in revised form. For now, equity investors appear to think that much of the tariff-driven uncertainty is over, although companies will continue to face challenges in the coming months."

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

Kroll Cost of Capital Inputs

Data as of May 22, 2025

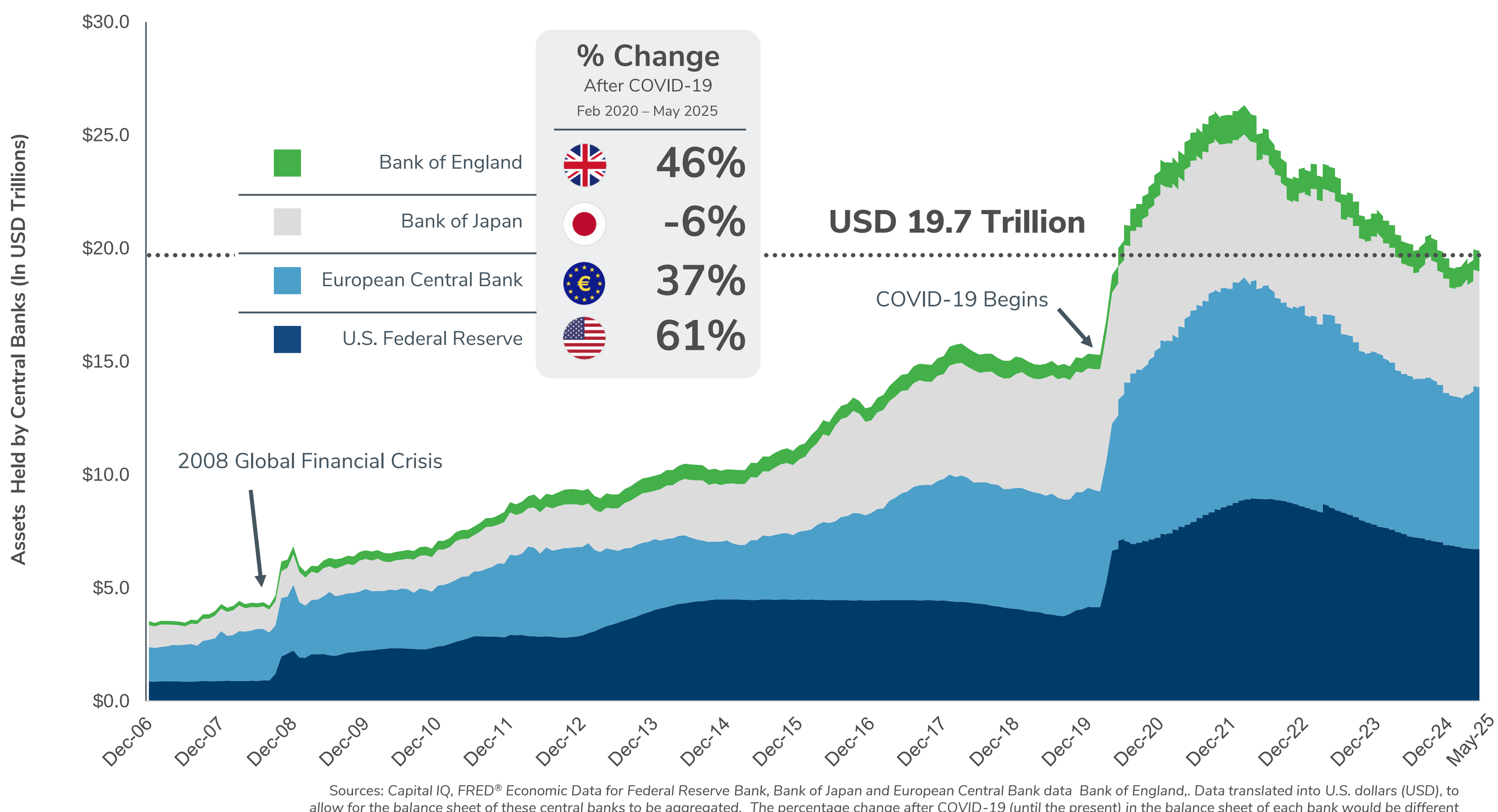
	Normalized Risk-Free Rate	Kroll-Recommended Equity Risk Premium
U.S. (in USD)	Higher of 3.5% or Spot*	5.5%
Eurozone *** (in EUR)	Higher of 2.5% or Spot**	5.5% to 6.0%

* 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 2.5%. This guidance is effective when developing EUR-denominated discount rated 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 higher of the range, which was effective April 15, 2025. 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



Sources: Capital IQ, FRED® Economic Data for Federal Reserve Bank, Bank of Japan and European Central Bank data Bank of England,. Data translated into U.S. dollars (USD), to allow for the balance sheet of these central banks to be aggregated. The percentage change after COVID-19 (until the present) in the balance sheet of each bank would be different in local currency.

Global 10-Year Government Bond Yields

Data as of May 21, 2025

North America: U.S. 4.58% · Canada 3.35%

Eurozone: Eurozone 2.73% · Germany 2.60% · Netherlands 2.77% · France 3.27% · Spain 3.27% · Italy 3.50%

Asia Pacific: Australia 4.46% · China 1.72% · India 6.18% · Japan 1.55% · Singapore 2.52% · South Korea 2.79%

Latin America: Brazil 14.04% · Chile 5.70% · Mexico 9.44%

Europe – Other: UK 4.66% · Switzerland 0.40% · Sweden 2.42%

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

Global Credit Spreads

Data as of May 21, 2025

	U.S. Corporate Credit Spreads	Euro-Denominated Corporate Credit Spreads
Max during 2008 global financial crisis	14.9%	18.8%
Max during COVID-19 crisis	6.7%	7.7%
Long-term average	3.7%	5.0%
Current level	2.0%	2.5%

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 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 21, 2025

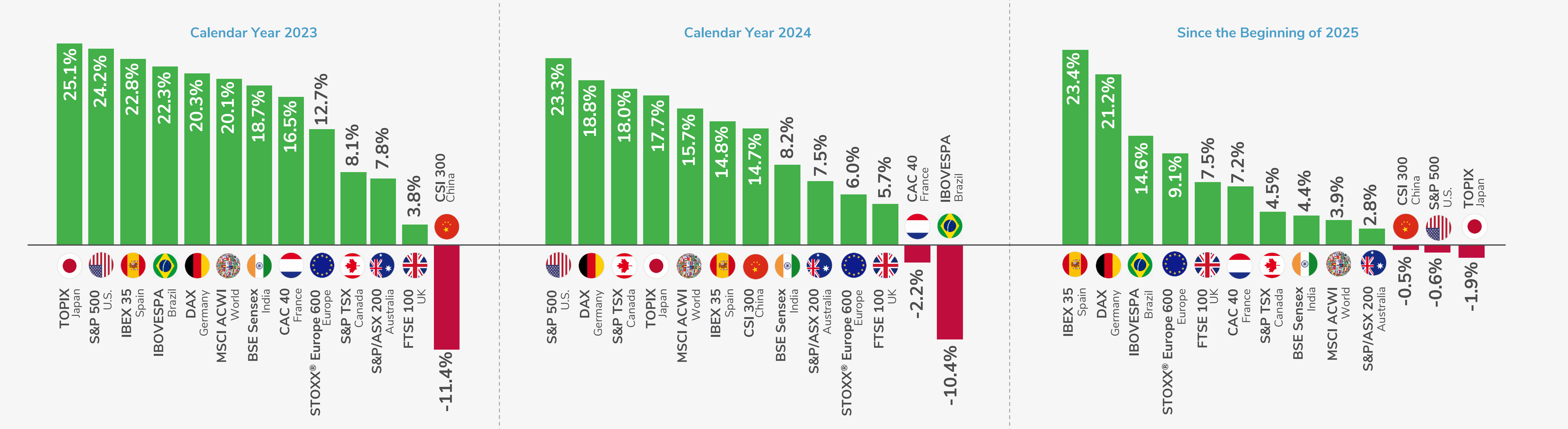
	VIX Index (U.S.)	VSTOXX® (Europe)
Max during 2008 global financial crisis	80.9	87.5
Max during COVID-19 crisis	82.7	85.6
Long-term average	19.9	23.3
Current level	20.9	16.7

Source: 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 21, 2025



Source: Capital IQ

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

Data as of May 21, 2025

		Pre-COVID-19 (February 2020)	Post-COVID-19 (April 2025)	Long-Term Avg.
Consumer Sentiment	U.S.	101.0	50.8*	85.1 (1952–2025)
	Eurozone	108.4	88.5	100.0 (1985–2025)
Business Confidence	U.S.	99.1	99.0	100.0 (1950–2025)
	Eurozone	100.6	93.3	100.0 (1985–2025)

* Latest data available is as of May 2025 (preliminary)

Sources: Michigan University's Index of Consumer Sentiment, OECD's Business Confidence Index and European Commission business and consumer surveys (The same methodology that the European Commission uses to standardize its Economic Sentiment Indicator (ESI) was applied to the Eurozone Consumer Confidence and Business Climate Indicator series).

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

Data as of April 2025

	U.S.	Germany
Long-Term Inflation Expectations	2.4%	2.1%
Long-Term Real GDP Projected Growth	1.9%	1.0%

Inflation estimates over the long term have ticked up to **2.4%** from 2.3% in December 2024. Projected long-term real GDP growth in the U.S. dropped slightly to **1.9%** in April 2024, down from 2.0% in December 2024.

Long-term inflation expectations in Germany saw a slight increase to **2.1%** from December 2024. Long-term real GDP growth expectations in Germany stabilized at **1.0%**.

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). 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 (Aruoba 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, and PwC.

U.S. vs. Eurozone Unemployment Rate

Data as of May 21, 2025

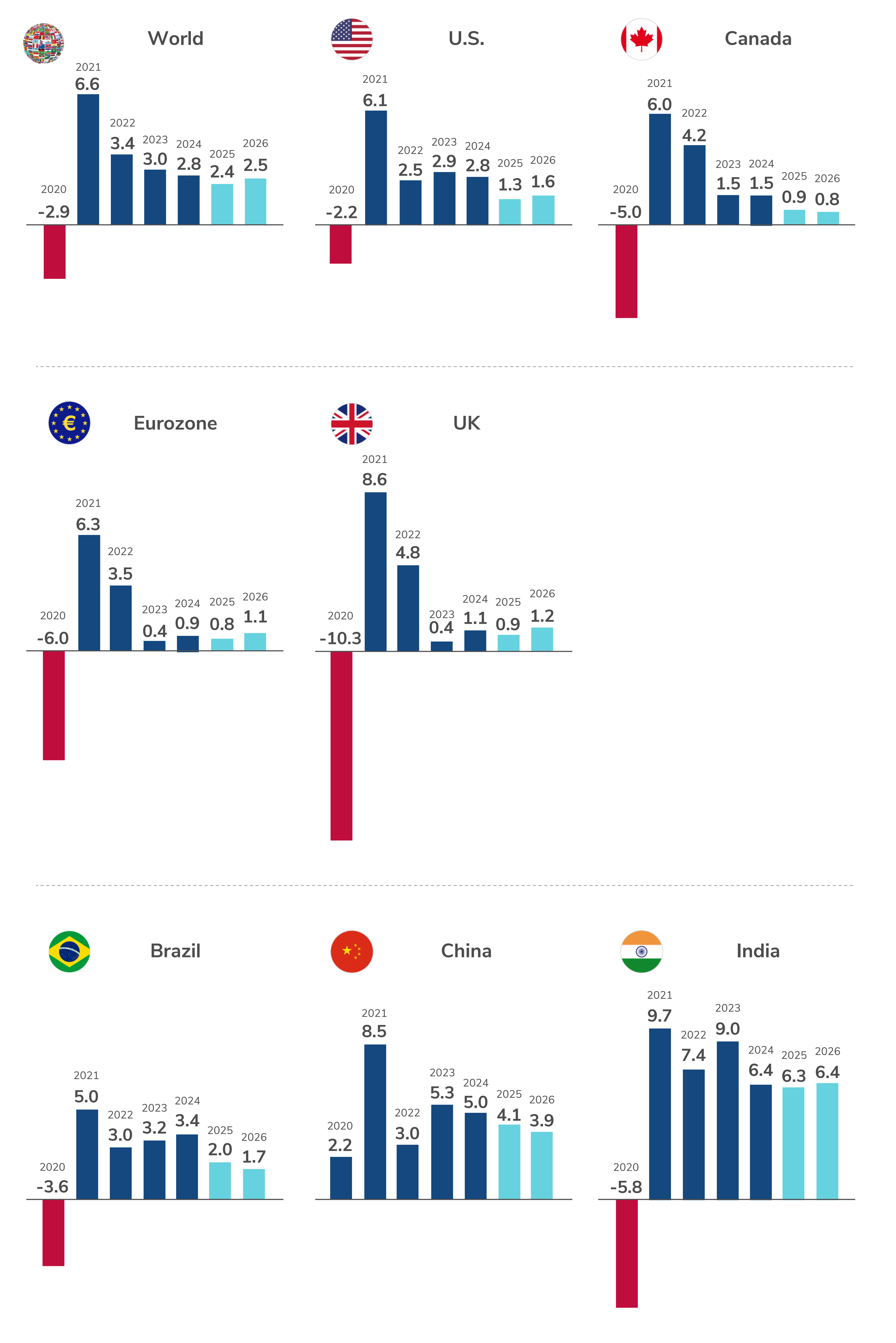
	U.S.	Eurozone
2020		
March	4.4%	7.2%
June	11.0%	8.1%
September	7.8%	8.6%
December	6.7%	8.2%
2021		
March	6.1%	8.2%
June	5.9%	7.9%
September	4.7%	7.4%
December	3.9%	7.0%
2022		
March	3.6%	6.8%
June	3.6%	6.7%
September	3.5%	6.7%
December	3.5%	6.7%
2023		
March	3.5%	6.6%
June	3.6%	6.5%
September	3.8%	6.6%
December	3.7%	6.5%
2024		
March	3.8%	6.5%
June	4.1%	6.4%
September	4.1%	6.3%
December	4.1%	6.2%
2025		
March	4.2%	6.2%
Latest Available*	4.2%	6.2%

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

* Data through April 2025 for the U.S. and March 2025 for the Eurozone.

Real GDP Growth (%) Estimates (Median)

Data as of May 22, 2025



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