

FAO Timo Strunkmann-Meister, Chair
International Private Equity and Venture Capital Valuation Guidelines Board

By email: contact@privateequityvaluation.com

29 October 2025

Re: BVCA response to the consultation on the revised IPEV Valuation Guidelines

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of around 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

We welcome the opportunity to provide our input into the review of the International Private Equity and Venture Capital Guidelines ("IPEV Guidelines"). We would like to emphasise our endorsement of the IPEV Guidelines as they remain a practical, pragmatic and helpful guide for our members on a difficult and highly judgemental area. Valuations in private markets have been the subject of increased scrutiny in recent months by regulators in the UK and elsewhere, and the IPEV Guidelines have been a constant feature of robust valuation processes and high levels of governance. During the Financial Conduct Authorities (FCA) review into private market valuation practices, over 70% of private equity firms highlighted the importance of industry guidelines in supporting convergence on best practice and driving consistency.

Feedback from funds, valuers, and auditors on the draft amendments has been positive in relation to the additional clarity offered by these amendments, with particular support for the expansion of the sections on complex capital structures and early-stage investments. On the following pages, we have collated general feedback and specific comments based on discussions with our members and which are felt could provide further clarity throughout the guidelines. One particular area of discussion has been "Known and Knowable" information, which continues to be a key topic. We have noted wording additions in bold and yellow and our suggested removal of wording in red strikethrough.

Please do not hesitate to get in touch (please contact Ciaran Harris at charris@bvca.co.uk) if you have any comments or questions.

Yours sincerely,



Jonathan Martin

Chair, BVCA Accounting, Reporting & Governance Committee

General Observations

Page	Section	Comment
n/a	Formatting of examples	Throughout the IPEV Guidelines, it could be helpful to format the worked examples differently, or separate them, to distinguish them from specific guidance and principles. - <i>Known or knowable Information (p17)</i>: See note below on this section which remains a challenge with auditors in particular. Presenting this more clearly could help aid understanding. - Section beginning “<i>For illustrative purposes...</i>” (p19) - <i>Acquisition multiples vs quoted company trading multiples (p27)</i> – section beginning “<i>For example, assume the acquisition...</i>” In general, we continue to support the short-form guidelines, with few examples, to limit the length of the guidelines to aid with readability and adoption.
n/a	References to the AICPA PE/VC Valuation Guide	While these additions are helpful, we would suggest removing the direct references to the AICPA PE/VC Valuation Guide and solely including the intended language. We have had feedback that UK fund managers find it helpful, when engaging with US investors, to be able to refer to the IPEV Guidelines as a standalone document. Some US investors are unfamiliar with the IPEV Guidelines so being able to use them as standalone support, adopted by the industry, provides those investors with the comfort they need in their diligence processes. There is some concern that cross-references to the AICPA PE/VC Guide could dilute this.
n/a	Implementation timeframe	We would request that the implementation timeframe is delayed until later in Q1 or Q2 of 2026, with early adoption encouraged. While the guidelines have not changed, firms will nonetheless need time to understand the changes to the explanatory notes. This would be particularly important for firms who report NAV monthly and would need to comply with the new guidelines within a month of issue.
n/a	Covering letter	The red-line document is very helpful. It would also be helpful to have a covering letter addressing the main areas of change in the final version.

Known and Knowable

We find that this continues to be a key area of challenge for several users of the Guidelines. The “knowable” concept continues to lead to confusion and further clarity would be valuable in relation to post-balance sheet events, referred to as “subsequent events” in the guidelines.

Page	Section	Comment
P17/18	<i>Known and knowable / Transactions after the measurement date</i>	Challenges raised during audit processes We have had feedback from funds, valuers, and auditors that there is often debate concerning post-Measurement Date information and whether or not the valuation should be revised for such information. Funds are dealing with this in different ways which flows through to NAVs. - Actual financials: As noted in the worked example in the guidelines, actual financials are unlikely to be available until after the Measurement Date. Many fund managers and valuers use the estimates available, while some funds with longer reporting timelines use the actuals, and some auditors ask for valuations to be updated based on the actuals received in the month(s) following the Measurement Date. It would be helpful to include some wording to clarify the IPEV position on this. Proposed wording <i>Subsequent events</i> <i>Certain accounting standards require subsequent events to be addressed within the Valuation and, for such events, Valuers should consider whether they were reflective of conditions which existed at the Measurement Date. When considering available financials, Valuations should typically be based on estimated maintainable earnings and so minor changes in actual data versus estimates should not generally lead to a change in fair value. If the actual financials differ substantially from the estimated financials used in the Valuation, the Valuer should consider whether this truly reflected a subsequent event or if general performance information was “knowable” through reasonable diligence at the Measurement Date and should be reflected in the Valuation.</i> - Transactions after the measurement date: Further guidance would be helpful to address any post-Measurement Date transactions and the extent to which these should be considered as “knowable” and whether they were reflective of conditions which existed at the Measurement Date. It may also be helpful to encourage valuers to include confirmation that no substantial changes have occurred since the date that valuations were prepared.

Page	Section	Comment
P17	<i>Known or knowable information</i>	Aside from the above matters, we would also propose the following re-ordering for clarity. Proposed Wording <i>Known or Knowable information pertains to facts, conditions, or observable information which exists as of the Measurement Date and is available to the Valuer or would reasonably be available to the Valuer through routine inquiry or due diligence. Information which is known or knowable reflects circumstances existing at the Measurement Date and events occurring up to the Measurement Date.</i> <i>Information which does not exist at the Measurement Date is not “known or knowable” at the Measurement Date. An event that could affect Fair Value which occurs after the Measurement Date is referred to as a subsequent event and would not be considered known or knowable at the Measurement Date.</i> <i>For example:</i> - <i>The value of a traded share is known or knowable at the Measurement Date as it can be obtained from the relevant exchange or reporting service.</i> - <i>The value of a traded share at any date after the Measurement Date is not known or knowable at the Measurement Date.</i> <i>Information used by Valuers reflecting the performance of an underlying Investment may be provided to the Valuer one or more months in arrears of the investee company’s accounting reference date.</i> <i>For example, for a June 30 Measurement Date, the reported EBITDA available from an investee company may be as of March 31, April 30, May 31 or some other date. The Valuer may be aware of events or situations occurring after March 31 and before June 30 which would impact the financial results, even if the quantum is not known. The most contemporaneous information would be used for a June 30 Measurement Date adjusted for known events or situations. If it is known that the EBITDA available as of a June 30 Measurement Date, say March 31 EBITDA, is significantly greater or below the estimated June 30 EBITDA, then the March 31 reported results would be adjusted for the known differing trend on performance. While If there are no indications that the reported June 30 EBITDA would differ significantly from the last reported data at March 31, most Valuers would use March 31 performance results as the metric in estimating Fair Value.</i>
P66	<i>5.18 Limited Information with respect to Portfolio Companies/ Co-investments</i>	This section provides helpful clarity. We would suggest that this section could be included in the Known and Knowable section, given they are similar in nature. It has also been noted that it should be linked to calibration to ensure that it does not imply a day

Page	Section	Comment
		1 write-down if the limited information rights are consistent with the investment. Proposed wording <i>If limited or no information is available pertaining to the Investment, generally a Market Participant would require an increased rate of return to reflect compensate for the risk associated with the lack of information. All else being equal, an increased rate of return required by a Market Participant would reduce the Fair Value drive the Fair Value down to take into account the increased risk.</i> <i>It is possible that investors may have had limited information rights when they first agreed to invest, so the above factors would already be considered within the agreed transaction price. In such cases, a calibration to the transaction price may not warrant any additional discount.</i>
p47	4.2 Adjustments to Net Asset Value	LPs exposed to GPs with different valuations / reporting timelines We are aware of cases when LPs have exposure to the same Investment across different funds and GPs, who report different valuations. This can be linked to differing reporting timelines and “known and knowable” factors. It would be helpful to include some guidance and explanation of the factors they should consider in reconciling this. Proposed wording: <i>Where an LP has exposure to Portfolio Company through different funds, the GPs may have reached differing conclusions as to the fair value of their investments, each of which may be considered to be a reasonable estimate of fair value from the GP’s perspective. In considering adjustments to the NAV for such Investments, the LP could consider, to the extent known:</i> - <i>Differences in the securities invested in by each GP;</i> - <i>Relative information rights of the GPs;</i> - <i>Measurement Dates of the underlying funds;</i> - <i>Impact of subsequent events, if any, taken into account by the GP; and</i> - <i>Any other information known to the LP which may not be available to the individual GPs.</i>

Suggested Amendments

Page	Section	Comment
p10	<i>Significant improvements in Valuation Techniques; and</i>	Could add “ <i>which would be used by a market participant</i> ” to clarify that this should not just be driven by increasingly complex valuation models, which may not be considered relevant by market participants.
P16.	Accretion/Dilution	This could be simplified to “<i>Expected changes in ownership share</i>” and the examples made more principle-based. “A Fair Value estimate reflects Market Participant perspectives. Many Private Capital Investments contemplate potential dilution changes in ownership share. Fair Value reflects the ownership stake at a given Measurement Date. [...]”
P27	<i>Calibration</i> <i>It is not necessary to specifically identify or measure the individual components which drive differences between comparable companies and the acquired Investment.</i>	Overall there are some welcome enhancements to this section. In the wording to the left, it is felt that this is slightly misleading and contradicts other areas. In order to make an informed decision, the valuer would need to understand the factors that have lead to differences with respect to expansion or contraction of discounts/premiums. Proposed wording: <i>It is not necessary to exhaustively specifically identify or measure the individual components which drivers of differences between comparable companies and the acquired Investment.</i> However, <i>differences, if any, should be understood conceptually and similar differences may be expected or need to be understood at the calibration date and should be assessed at subsequent valuation dates to determine whether any adjustment would be warranted.</i>
P27	<i>Other reasons for adjustment</i>	It could be helpful to include some commentary on “bolt-on” acquisitions either here or in the “comparable recent transactions” section on the following page. Often funds will complete “bolt-ons” at lower multiples than the investment is held at, and there is a debate about the point at which to mark-up such holdings. Proposed wording: <i>Bolt-on acquisitions</i> <i>During the investment period, it is common for portfolio companies to acquire businesses that complement their existing operations, expand their geographic reach, or generate strategic synergies, for example. These acquisitions may vary significantly in size and nature relative to the acquiring company. In all cases, professional judgement should be applied in determining when and how to incorporate such acquisitions</i>

Page	Section	Comment
		<i>and their impact on earnings, and valuation multiple arbitrage (if any) into the overall valuation of the portfolio company. Key considerations include the stage of integration, timing and realisation of synergies, and the respective performance of both the acquiring and acquired businesses.</i>

Page	Section	Comment
P37	<i>“Convertible Debt Investments...”</i>	This could be expanded to clarify that there are many types of convertible debt which may be viewed differently by investors and valuers. It would be helpful to reference section 5.20. Proposed wording: <i>“Convertible Debt Investments may have both a debt-like component and equity-like component. In determining the valuation approach, the Valuer should consider the nature of the financial instrument and the expectations of a market participant to determine whether the equity-like and debt-like components should be assessed together or separately. For details of Convertible Debt in a venture capital context, see Section 5.20 for further details.</i> <i>At initial Investment the Valuation Techniques and inputs should be calibrated to reflect the debt and equity components and at subsequent Measurement Dates the calibrated inputs and Valuation Techniques would be updated to reflect the movement in the debt component and the equity component in determining the overall Fair Value for the Investment.”</i>
P38	Factors used to determine the weight placed on the value of recent transaction, may include the size of the Investment in the context of the overall value and whether new investors participate in the transaction	One question we received in relation to this wording was: “Is this implying that we need to consider some form of discount if the size is quite small vs the overall business (equivalent to a minority discount)?” We don’t think that this is the intention of the Guidelines. It may be helpful to refer directly to the new wording in “Determining if the transaction price represents Fair Value”. It could also be helpful to note that the Valuer may need to consider the timing of when the transaction price was agreed and if anything had changed between that agreement and deal completion to increase or decrease the fair value.
P39	<i>Determining if the transaction price represents Fair Value</i>	We were pleased to see the clarification in this section and it is helpful that this is consistent with the relevant financial reporting standards.

Page	Section	Comment
P41	<i>Complex Capital Structures</i>	This is considered to be a very helpful section, with funds generally seeking further guidance in relation to such structures. However, we noted that many of the areas are duplicated elsewhere in the guidelines (particularly on p42 to p43) which could be somewhat confusing. In those sections, it would now be preferable to remove such duplicate wording and refer back to this <i>complex capital structures</i> section. In terms of ordering of this section: - Paragraphs 3 and 4 appears better suited at the end of this section. - Paragraph 5, starting: “<i>Non-economic rights, such as voting rights...</i>” would flow better after paragraph 2. - Paragraphs 6, 7 and 8, starting “<i>Accounting Standards do not describe any specific techniques..</i>” (P41) duplicate those on p43. We would suggest replacing this with the existing wording from p43 to avoid confusion. This section could then be removed from P43 and replaced with a reference to the Complex Capital Structure guidance. - Paragraph 9(a) could be amended to “reflects the going-concern status of the portfolio company, unless the portfolio company is being liquidated” Additionally, the guidance for ‘Complex Capital Structures’ under section 3.10 appears partly inconsistent with section 2.4 ‘Allocating Enterprise Value’. It has been noted that it seems to create two separate scenarios depending on whether the business/capital stack is ‘performing/mature’ or ‘underperforming/early-stage’. It would be helpful to have clarity within these section on what guidance should be followed under what scenario, and the extent to which this is driven by control factors.
P41	<i>Complex capital structures</i>	The following wording: “<i>The method does not rely so heavily on proprietary practices and procedures that assurance about its quality and reliability cannot be readily and independently obtained.</i>” could be a very helpful principle in general, throughout the guidelines, and may be particularly relevant to note in the use of automated valuation models.
P42	<i>Liquidation Preferences</i>	There has been feedback that this section could be more detailed considering the increasing importance of early-stage investments. It could perhaps include some guidance on preferential returns, recognising the premium, and how it is phased.
P42	<i>Valuing seed, start-up and early-stage (pre-revenue/pre-</i>	It would be helpful to include clarification as to how cash should be treated for early-stage companies, as there is some confusion among funds and auditors as to whether the cash should be treated as excess or not.

Page	Section	Comment
	earnings) Investments	Proposed wording: <i>In an early-stage company, when cash is funded as part of a normal funding round, this would not typically be considered “excess” cash, as it is required for operations and/or growth until the next milestone. The fair value of an equity investment would not generally change solely due to the passing of time and reduction of the cash balance. The Valuer should consider the remaining cash runway and, if cash has been used more efficiently or less efficiently than expected, then this could lead to a change in the fair value if this significantly changed the outlook for the company and its need for further fundraising.</i>
P48	Consideration of Secondary Market Discounts or Premia	It has been noted that there appears to be a conflict between the direction of travel/changes to 2.3 and the new text for section 4.3, with GPs and LPs getting different guidance in relation to the use of third party transactions as a benchmark for fair value. One LP has noted a clear contradiction observed in the market, where the share price of listed funds deviates from NAV and also by the ever growing secondaries market where the more frequent transactions in fund interests would suggest that the assumption to date that these transactions were essentially distressed is more ambiguous. If this logic was followed, it could be argued that it should extend to using transaction multiples as the basis of valuation due to the same factors. Given that both public and private market pricing deviating from NAV are increasingly common, it would appear that perhaps softening the guidance might be more prudent.
P63	5.14 Transaction costs	We are pleased to see this additional guidance in 5.14, which is very helpful. Anecdotally, industry application has been mixed so it is helpful to have this clarity.
P65	ESG	We acknowledge that ESG is an area which is generally considered to be complex to directly capture in valuations, and noted the removal of “Impact of employing a more diverse workforce, management team or board of directors”, for example. It may be helpful to focus on the underlying core factors that differentiate a business (that are in fact reflective of those ESG factors) such as: • Brand strength and reputation (which may be higher for environmental-focussed, net carbon neutral, etc); • Workforce-related factors, such as the staff turnover metrics, ability to recruit high-quality staff, quality of the board of directors, or key person risk; • Regulatory / litigation issues • Quality of customer/order book • Geographical spread of the business

Page	Section	Comment
		• Sectors / product lines • Concentration (or otherwise) of customers and suppliers
P66	<i>5.19 More Frequent/More Timely Valuations</i>	This section provides helpful clarity around governance although may be better placed outside of the guidelines.
P67	<i>5.21 Carried Interest</i>	This section has prompted some debate as to whether the IPEV Guidelines are the right place to address carried interest, with various views. For LPs, it was noted that carry is fundamentally a part of the NAV they are relying on so it is helpful to have some guidance. Others noted that it is outside of the scope of the IPEV Guidelines considering that it does not relate to the individual investments. Suggestions to clarify this would be: - It was generally agreed that this section could be moved outside of the main guidelines and included instead in an appendix. - If considered appropriate by the board, the Guidelines could refer to the InvestEurope and ILPA being best practice in the treatment and reporting of carried interest.
P66/67	Venture Debt and SAFEs	We think that this section provides helpful additional clarify and could be expanded given the number of cases to which this applies and the complexity of these instruments. Challenges faced include those below, for which it would be helpful to have additional clarity: - Many funds that we are aware of are holding these assets at principal plus accrued interest. Valuers may argue that this does not account for potential downside risk, or upside offered by conversion features. - When valuing the instruments, valuers can sometimes overcomplicate the situation with OPM/Monte Carlo to account for many different legal terms, which may be of limited relevance to the actual portfolio company's situation. - Many CLNs and SAFEs convert at a discount to the next funding round which, in value terms, means a fixed value on conversion. This can make an OPM/Monte Carlo inappropriate, with a more simplistic PWERM analysis more relevant and aligned to investor expectations. - We often see references to CLN funding round implied or agreed equity valuations being used for other share classes. In practice, there is no direct link between the two, leading to debates about the relevance of such references. Investors also often have

Page	Section	Comment
		different understandings of the “valuation cap” with some considering that it reflects current value, while others treat it as a potential future value. We assume that the “backsolve method” should instead refer to “calibration” for clarity and consistency. Proposed wording: <i>Convertible loan notes (CLNs) and Simple Agreement for Future Equity instruments (SAFEs) are often issued as bridge funding to support a business through its next major equity funding round, although they can be issued for a variety of reasons. CLNs and SAFEs may be preferred by investors as a relatively quick way to provide funding without the requirement to complete a full pricing exercise as would be the case for a full equity funding round.</i> <i>While CLNs and SAFEs are structured differently from a legal perspective (certain investors cannot participate in debt instruments, which can make SAFEs a preferred option), the key financial terms are often similar, including:</i> - <i>The option to convert to share classes issued at a future date at a specified discount to the price of next funding round; and</i> - <i>Conversion at a “valuation cap” which can provide upside if the valuation of the company at the next funding round substantially exceeds expectations.</i> <i>It is important for the Valuer to understand, on a case-by-case basis:</i> - <i>the key financial terms of the CLN or SAFE instrument;</i> - <i>the reason that the instruments were issued and the implications for the valuation of the instrument itself and other share classes in the capital structure;</i> - <i>the potential exit scenarios considered by the issuer and investors (at both the issuance date and the valuation date), such as repayment or conversion to shares; and</i> - <i>the current performance of the business relative to expectations at the time of issuance and any subsequent changes to the repayment or conversion expectations.</i> Valuation approaches <i>Key financial terms of the instruments may be complex and valuation approaches may include:</i> - <i>option-pricing model (OPM); or</i> - <i>scenario analysis / PWERM.</i>

Page	Section	Comment
		Regardless of the selected valuation methodology, Calibration remains a useful tool and should be applied when possible. Practical considerations <i>In considering the key financial terms, the legal agreements for such instruments often provide for a wide scope of potential exit, repayment, and conversion scenarios (for example, distinguishing between qualifying and non-qualifying funding rounds). Some of these scenarios may be more or less likely than others to apply in practice. In assessing the Fair Value of such instruments the Valuer should understand the investors expectations and only consider those options which would be taken into account by a market participant at the Valuation Date. In practice, this may significantly reduce the number of actual scenarios considered within a valuation model relative to the legal terms.</i> <i>Additionally, the Valuer should take care to understand any conversion mechanics of the SAFE or CLN. Such conversion may be based on (a) conversion to a fixed number of shares or (b) a discount to a future funding round i.e. a number of shares up to a fixed value. In the case of option (a), an option-pricing model may be appropriate, while in the case of option (b) a simple scenario analysis may be more appropriate, as the exit value is fixed.</i> <i>Valuers should take care when considering the impact of CLNs and SAFEs on the fair value of other financial instruments and share classes in the capital structure. Such instruments, while considered equity-like, may not provide a direct reference for the fair value of other classes of equity and may not be a suitable calibration point. Where a CLN or SAFE funding round makes reference to an implied equity valuation (pre- or post-money), Valuers should understand the basis for this and whether this is reflected in the financial terms.</i>