KINNEVIK

Quarter 1 Report 2022

Thursday, 21st April 2022

Highlights of the Quarter

Georgi Ganev

CEO

Introduction and speakers

Good morning everyone and welcome to the presentation on Kinnevik's results for the first quarter 2022. I'm Georgi Ganev, Kinnevik's CEO, and with me today is our CFO, Erika Söderberg Johnson, our Chief Strategy Officer, Samuel Sjöström, and our Director of Corporate Communications, Torun Litzén.

Global events

War in Ukraine

Now, let's move to page 2. Before we get into the highlights of the quarter, I would like to say a few words about the situation we are in. The first quarter of 2022 was turbulent in many ways. Russia's invasion of Ukraine is causing massive human suffering and will have long-lasting effects on human lives and global relations. Kinnevik strongly condemns the war and although we have limited exposure to the directly affected areas, we are of course doing what we can to ensure the safety of our company's employees in the region.

Macro-economic background

In the financial markets, the start of 2022 has seen rising interest rates and soaring inflation, which is putting pressure on valuations of growth and tech companies. This is having a negative effect on Kinnevik's portfolio and navigating the current market environment is challenging. However, it also creates opportunities for Kinnevik as an active investor with a long-term investment horizon, permanent capital and a solid financial position. This is attractive to entrepreneurs looking for funding and it puts us in a good position to continue backing high-quality companies that we strongly believe will continue to grow and create value.

Agenda

As for the agenda for today's call, we will begin with the strategic highlights of the quarter and then move on to talk about the new companies in our portfolio. After that, we will go through our updated NAV statement, followed by the key valuation changes during the quarter. And lastly we will go through our financial position.

Highlights of the quarter

Movements in NAV

Now, let's move on to page 3, where we have summarised the key highlights during the first quarter. At the end of the first quarter of 2022, our net asset value amounted to SEK 67.9 billion or SEK 244 per share, down by 4.5 billion or 6% compared to the end of last year. Private market valuations are increasingly coming in line with public market levels, which is putting pressure on the valuations of our private portfolio. The value of our unlisted portfolio was written down by 10% in the quarter.

Public portfolio developments

In the public portfolio, weak share price developments in Global Fashion Group, Babylon and Teladoc had a negative impact on our NAV. This was somewhat offset by a strong trading in Tele2. Erika will take you through the development of our NAV in more detail as well as the valuations of our unlisted companies in a few minutes.

In the quarter we also doubled down on the investment theme we call 'future of work', with investments in two new companies: Omnipresent and SafetyWing, and I will return to these companies shortly.

We also invested in Transcarent, which we covered already in our year-end report, and in Agreena, a Danish ag tech start-up. Agreena enables turning agricultural land into carbon sinks using their technology to reduce greenhouse gases in our atmosphere at scale. They mint, verify and sell carbon certificates generated by farmers who transition to regenerative farming. With a green investment, we're dipping our toes in the upstream part of the food and agriculture space and I'm really excited about this investment and look forward to supporting the founders, Simon, Julie and Ida on their growth journey and to participate in the long-term sustainable transformation of the wider food ecosystem.

Follow-on investments

In terms of follow-on investments, we participated in the funding rounds of Lunar, Common and Joint Academy, and I will elaborate on Lunar in just a few moments.

First in equality, diversity, inclusion

Finally, during the quarter the international consulting firm Equality Group published an index on the equality, diversity and inclusion in private equity and venture capital industry globally, and I'm very proud to say that in that index, Kinnevik ranked first in the VC category. A true achievement and we will continue to be leaders and innovators in sustainability, because we fundamentally believe it builds better businesses.

The future of work

Three elements

Now, let's move on to page 4. the COVID-19 pandemic accelerated a trend that we call the future of work, in which we have been monitoring for some time. Our investment thesis is anchored around the three elements which we believe will last. Firstly, the rollout of new technologies and increased digitalisation. Secondly, the mainstream acceptance of remote working and gig jobs. And thirdly, the war for talent and increased expectations for benefits and social security.

Jobandtalent

Over the last months, Kinnevik has invested in all three of these trends. Last year, we invested in Jobandtalent, a leading digital challenger in the temporary staffing sector, and this quarter, we invested in Omnipresent and SafetyWing, which we believe will ride, drive and build on these trends with their innovative service offerings.

Omnipresent

Omnipresent provides an end-to-end service that makes it easier for businesses to hire, pay and support the best talent from all parts of the globe. They enable companies to scale their operations into new markets in ways they simply could not achieve without the support of Omnipresent. Co-founders Matthew and Guenther have built a team that is uniquely strong and can deliver on the vast market opportunity.

SafetyWing

SafetyWing's vision is to build a global social safety net. They help businesses with remote workforces to attract and retain talent by offering better benefits such as global travel and health insurance. We have been very impressed with SafetyWing's strong team and company culture and look forward to support co-founders Sondre, Sarah and Hans on their continued growth journey.

Doubling down on Lunar

Granted a banking licence

Now on page 5 we will take a closer look at our follow-on investment in Lunar. During the quarter, we participated in Lunar's funding round, with an investment of SEK 211 million. We first invested in Lunar mid last year, because we believe the company has all the ingredients to become a category winner. It is the only cloud-based digital banking platform to be granted a banking licence in the Nordics. It also has a rapidly growing base of loyal users. And at the end of March, the company made a cash offer for the Norwegian digital bank Instabank. The offer has been accepted by more than 90% of the target's shareholders and if approved by the customary governing bodies, Lunar's position will be cemented as the leading financial challenger across banking, payments and investments in the Nordics.

Now I would like to hand over to our Chief Strategy Officer, Samuel Sjöström, for a deep dive on our new NAV statement.

Net Asset Value Statement

Samuel Sjöström

Chief Strategy Officer

Redefined categories

Increasing transparency

Alright, thanks. So we're on page 6 by now. This is something we've been looking forward to show you guys for quite a while. Firstly we've been wanting to provide you with a better bird's eye view of our portfolio, since it's pivoted quite a bit over these last years. But perhaps more importantly, this new way in which we slice and dice our NAV really forms part of another step in trying to increase the transparency around our private portfolio as this continues to have a bigger impact on Kinnevik as a whole.

Refined portfolio categorisation

So what are we doing? Well, we're breaking up healthcare into value-based and virtual care, considering the differences in models and underlying trends. We're grouping our software businesses into one distinct bucket considering their similarities and the success we've had in having that cluster of businesses emerge over these last few years. And we're also introducing sort of a catch-all for smaller, early-stage investments and investments we draw from new and more emerging themes that are yet to reach that critical mass that we feel is required to direct your attention to it. And this we believe is a much more refined categorisation of our portfolio.

However, our portfolio spans a very diverse set of businesses so no categorisation will be perfect, and trust me, we've considered a couple of options here. The platforms and marketplaces category for instance, that's a category with a pretty wide spectrum of companies. Nevertheless, we very much feel that this is a leap forward from how we used to present our portfolio and we hope you'll agree with us once you've had the time to digest and reflect on it. And we've posted some historical pro forma NAV statements going back to, I believe, Q4 2018 on our webpage.

More specific metrics

In five core baskets

If we flip ahead to page 7, these five core baskets contain 25 investments that represent around 90% of our growth portfolio. These are the investments that can move the short-term needle and that you'll see us spending time posting you on. For the smaller, earlier bets, you'll have to live with our disclosure being relatively low until these investments become more material to Kinnevik as a whole. And that cluster today is around 10 companies making up just a few percent of NAV.

New data points

Now, what particularly makes this a leap forward is not necessarily that we're shuffling companies around, it's the data points we're providing you with this quarter and us giving you this data is largely enabled by this new categorisation. So going forward we're disclosing aggregated financial metrics and valuation multiples for each of these five key baskets. We're giving you top-line growth, we're giving you gross margins and we're giving you revenue multiples. And these are data points we'll be updating as we go along.

Value weighted

And the averages you see here and you see in the report, these are weighted by value, alright? So they're not equally weighted averages. So an investment twice the size of another has twice the impact on these figures. And why is that? Well it's to ensure a representable depiction of our portfolio as a whole and again to focus you, the reader, on what's important.

See note 4 for unlisted assets

And in the report back in note 4, which you're all acquainted to, you'll find the corresponding data for our unlisted assets only. And back there you'll also find the same indicative data points for the peer groups that we benchmark these companies against and this, we hope and believe, will give you a more distinct backdrop against which you scrutinise how we value our unlisted investments.

Unlisted investments

Unpacking the write-down

So on the topic of the valuation of the unlisted investments, let's move on to page 8. We wanted to help you really unpack the write-down of our unlisted portfolio this quarter in a slightly different way, because it's important you understand what's going on beneath the headline 10% number. So it hasn't escaped anyone that we saw this big correction in Q1 And you have some reference points on the left-hand side of this page.

So what happened in our unlisted portfolio? Well, if you take the average change in value, all our unlisted companies, disregarding their respective weights in our portfolio, our unlisted investments were down by more than 20% in Q1. And this number excludes Lunar, where we've had transactions in late Q1. And with all our companies typically growing faster than their peers, I'm sure you all understand that the average multiple contraction in our models is higher than this 21% number.

Exposure not equally distributed

Now luckily we're not equally exposed to each of our investments. We tend to have more capital invested in companies that are high performers and that create a lot of value, and we tend to have less invested in companies that perhaps are struggling a bit. So when you weigh that 21% write-down by our portfolio composition, the unlisted portfolio is now down by around 14%.

Downside protections

So then how do we get from 14% to 10%? Well there's two factors. Firstly, with write-downs pretty much across the board this quarter, as you should expect downside protection provisions like liquidation preferences are coming into play in some of our investments. And these provisions are typically only or primarily relevant in companies where we've only invested in the most recent funding round, and they provide some protection for our investment against downside in case of exits at lower valuations than we've invested at. And this is why you're seeing more limited write-downs of the carrying value of our more recent investments. So that's what's bringing us from 14% to 12%.

FX tailwinds

And lastly then, there are some FX tailwinds in the quarter, primarily from the dollar. So this provides some cushion and is what completes this bridge to the 10% actual SEK fair-value impact in Q1.

Substantial write-down

Now, this is kind of substantial. In fact it's a lot more substantial than the write-down in Q1 2020 when COVID hit, and we're really conscious of the fact that we and I in the previous quarter referred to private markets lagging behind public markets as relates to valuations. Historically this is a clearly observable tendency. There are less trades and fewer traders in private markets than in public markets and ownership changing hands less often leads to private markets taking longer to reflect what might be a new reality.

Private markets no longer lag public

This time looks different. Private markets seem to be catching up faster. So we're no longer leaning on that concept of a private-market lag this quarter. Rather, we've carefully sought to reflect exactly where public markets were in end of Q1 when we value our private businesses. And this is challenging, because there are very few private companies actually pricing rounds in this environment. And Erika's going to cover the key valuation changes when I wrap up shortly and we'll also be posting a presentation on our webpage that outlines how we approach the valuations of our unlisted assets in more detail. We hope this will further your understanding of a process and an approach that, to be honest, we feel is very, very robust and that we put some pride into.

Public markets

Emerging Cloud Index

Looking closer then at the public markets development, this speaks a pretty clear language. So if we move on to page 9, this is data we pulled from Bessemer's Emerging Cloud Index. This is a stock index designed to track performance of emerging public cloud software businesses and it's a pretty good albeit a broad proxy for tech stocks in general.

So this chart is showing SaaS multiples of NTM revenue – that's next twelve months revenue – over the last five years. I think this chart has three key points. Firstly, you all see the correlation between multiples and rates.

High-growth still earns a premium

Secondly, a point is that all companies are not valued equally. There's still a considerable premium for high-growth quality businesses. And you see the medium blue line in the middle, that's the median for the entire index, and the dark blue up top is the median multiple for businesses growing by more than 30% year on year, and the light blue line down below, that's the median multiple for businesses growing by less than 20%. And as you can clearly see, there's quite a wide gap on both sides of that median valuation level.

Valuations now far more sustainable

The third point I'd like to make is that the median SaaS business is now valued below both pre-pandemic levels and the five-year median, which is the dashed amber line. You know, let's see how this chart looks in a month, a quarter, a year from now, but just looking at where valuations are today, at least they seem a hell of a lot more de-risked and sustainable than sort of peak 2021 does from a historical perspective.

So with us trying to value our private portfolio against the rightmost data points in this chart as a sort of new normal, we believe this means our NAV statement provides a view of private market valuations ahead of this private market actually finding that bid-ask equilibrium as again very few rounds are being priced in this market.

Gradual reconciliation of private and public markets

Markets cooling

So we're yet to see a lot of tangible data on how private valuations have shifted but moving on to page 10, we are seeing a couple of things more broadly. What we're seeing is a materially cooled down exit market. We're seeing fundraising being down. There are signals that companies may increasingly consider internal rounds, bridge financing and measures to decrease burn, all to avoid pricing themselves in this market. And clearly companies that raised large amounts of capital last year have no urgency to raise in the current environment.

Directional indications

Just by way of reference to that point, our companies raised in aggregate more than SEK 50 billion in new financing last year and we have a 5 billion net cash position growing to an excess of 8 billion after the Tele2 dividends in May. But trying to look at this from a strict valuation point of view, I think there's at least some directional indications as to what's going on. We've heard platforms for secondary growth private equity saying prices on their platform were down 20% in Q1 and another sort of vague but at least indicational signal and also a very company-specific one is that we saw Instacart themselves take down their common stock valuation by 40% in their stock option programme-related filings a few weeks ago.

Late-stage versus high-growth

And amidst all of this uncertainty we're still sensing two wedges in valuations that we touched upon in the last quarter. Firstly, we believe late-stage slower growth businesses are impacted more significantly than early-stage high-growth businesses. This is the space that's sort of to a further extent feeling the pinch of crossover investors defocusing on private businesses and also space that is priced on a more short-term basis with a pretty near-term exit horizon.

High-performers versus the rest

Secondly, we believe medium businesses are impacted more significantly than the leading category-winning ones. There were many companies that sort of rose with the tide last year and as that begins to ebb away, we believe we might see this flight to quality supporting the valuations of the high performers and pressuring the valuations of the more average businesses.

And as always, if you're growing at a high compounding rate and burning efficiently, you can stomach quite a lot of multiple contraction and still create equity value. And these are all signs, signs and beliefs, that we're seeking to reflect in the NAV statement that we're putting out today.

With that, you know I'm happy to take any questions when we get to Q&A but for now I'll hand over to Erika for the key valuation changes this quarter.

Financial Details

Erika Söderberg Johnson

Chief Financial Officer

Value drivers in the quarter

Revenue growth, contracting multiples

Thank you Samuel. The fair value of our unlisted assets was written down by SEK 3.3 billion or 10% in the quarter. This was partly offset by net investments of 1.6 billion and the private portfolio decreased in value by SEK 1.7 billion to SEK 31 billion. Since late 2021 rising interest rates and inflation has caused valuations of publicly listed equity in high-growth technology companies to derate materially.

Reconciliation of private and public markets

Private markets have, as Samuel alluded to, in previous bear markets taken six to nine months to adjust but we see clear signals of valuation levels between private and public assets reconciling at a faster pace this time around. In assessing our valuations for end of Q1 2022, we are not taking into considerations private markets potentially lagging behind public markets but seek to fully reflect the end-of-March valuation levels for publicly listed peers when valuing our younger, faster growing, unlisted businesses.

Public market differentiated internally

In reflecting the public market correction, as Samuel also alluded to, we believe this impacts later-stage companies more injuriously than earlier-stage companies. We also see clear indications of the public market contraction bearing less effect on companies regarded as leading businesses in their area. The best performing businesses typically but not always overlap with the companies that have raised the most equity financing and therefore have the strongest balance sheets and longest runways. This makes them less dependent on the near-term funding climate and provides for more robust valuations. And in our valuations we take all these parameters into consideration.

Derating of equities

The material derating in public growth equities used as benchmarks for our private businesses was the single-most driver of the downwards value change in our unlisted portfolio. Multiple contraction had a material negative effect of more than SEK 8 billion on our valuations in the quarter. Revenue growth offset slightly more than half of the input of compressing peer valuation levels, with a positive contribution of around SEK 5 billion.

Key unlisted valuation assessments

Broad write-downs

So now let's move to page 12, where we provide some details on the key unlisted valuation assessments. We made broadbased write-downs during the quarter. The most significant NAV impacts were at Cityblock, Mathem, Pleo and VillageMD, which accounted for more than 65% of the aggregate write-downs. Lunar is the only write-up in this quarter, driven by in-quarter transactions. Valuations were unchanged in Budbee and TravelPerk due to more conservative valuations coming into the first quarter, combined with strong operational performance.

Pleo

Pleo raised capital late last year and our fair value is down by almost 10% in the quarter from a mark corresponding to the valuation used in that raise. The write-down reflects the share price development of the peer group's top quartile in the quarter. The valuations still implies a significant premium to the peer group in the near term but normalises over the longer term as Pleo is expected to grow significantly faster than even the best-in-class listed peers.

TravelPerk

TravelPerk raised capital in late December and the fair value of our stake is flat in the quarter. The valuation is in line with where the company raised new financing at the end of last year and the unchanged equity value reflects TravelPerk's superior performance benefiting from a sharp rebound in business travel as well as continued strong acquisition of new clients.

VillageMD

The equity value of VillageMD was down 11% in the quarter from a level corresponding to the transaction with Walgreens Boots Alliance during the fourth quarter of 2021. As a result, the forward-looking multiple contracts well in excess of the peer-group average and the premium to peers contracts materially. VillageMD is valued in line with the top performance in its peer group on a 2023 revenue basis and this reflects the company's structural advantage and stronger growth trajectory.

Cityblock

Our holding in Cityblock was written down by 17% in the quarter. The forward-looking multiple has been compressed by almost twice as much as the peer-group average. Thanks to continued strong underlying performance the write-down becomes more muted. The valuation remains at a premium to most but not all peers on a 2023 revenue multiple basis, which is also reflective of its higher growth rate.

Mathem

Mathem was down by more than 40% in the quarter. The main reason for the write-down is that multiples of key peers contracted by more than 35% in the quarter. In addition, Mathem is still operating with its old logistic facilities with lower efficiency, putting a pressure on margins. While Mathem's merger with Mat.se and its long-term strategic supply agreement with Dagab is a major positive, it's not enough to balance out the material correction in the market. The assessed valuation implies a multiple of 0.8 times the company's 2021 revenues.

Net asset value development

NAV down

Now, moving on to page 13. Our net asset value amounted to SEK 67.9 billion at the end of March or SEK 244 per share. This is down by SEK 4.5 billion compared to the fourth quarter and represents a net asset value decrease of 6% in the quarter. Compared to one year ago, this represents a decrease of 5% using pro forma numbers excluding Zalando.

Capital reallocated in public portfolio

In the public portfolio, Global Fashion Group fell back by around 60% and Babylon and Teladoc also had a soft quarter, coming down by approximately 30% and 15% respectively. We continue to reallocate capital within our growth portfolio and released SEK 1 billion from Teladoc in the quarter, adding to the SEK 2.2 billion released last quarter. Tele2 rallied 10% in the quarter as the markets are favouring value stocks. The Nasdaq Internet Index traded down 22% and the OMXS 30 traded down 13% while our total shareholder return was negative 24% in the quarter. And with yesterday's closing prices of our listed assets, our net asset value was SEK 67.8 billion.

New capital allocation framework

SEK 1.2 billion into new businesses

Now please turn to page 14 for an update on our financial position and capital allocation framework. During the first quarter, we invested a total of SEK 1.7 billion, whereof 1.2 billion was deployed into new businesses. The largest are Transcarent, Omnipresent and SafetyWing. Our largest follow-on investments in the quarter were into Lunar, Common and Joint Academy.

Capital release

During the last three years including at the latest market peak, we have been net sellers, releasing nearly 22 billion from our portfolio, whereof we have invested around SEK 15 billion and distributed 4.4 billion in cash dividends. The release of capital has strengthened our cash position and pro forma for the dividends to be received from Tele2 in May, we have a net cash position of SEK 1.8 billion.

Investment will continue

Looking into the rest of 2022, we believe that as long as opportunities to back great founders and ideas arise, it is key to maintain our investment momentum, continue to back the winners in our portfolio and actively reallocate capital to ensure our portfolio remains vibrant and dynamic. And as stated in our year-end report, we expect to deploy around as much capital in 2022 as we have averaged during the last three years, that is in the region of SEK 5 billion.

Backing category winners

With our strong financial position and proven track record of backing category-winning businesses, we feel confident that the Kinnevik team has the right tools, strategy and perspective on business building to continue to create long-term sustainable shareholder value.

And with that I would like to hand back over to Georgi for some closing remarks.

Closing Remarks

Georgi Ganev

Chief Executive Officer

Thank you Erika. We end today's presentation where we started, with the situation in the Ukraine. The war is a humbling reminder of how fragile peace really is and makes financial returns seem utterly unimportant.

As I said at the beginning of the presentation, I do believe that our long-term investment horizon, our broad portfolio of growth companies and solid financial position makes us standing strong despite the current uncertainty. Challenging time often spurs innovation and thanks to our strong market position, we're ready to support founders who are building transformative digital companies that make people's lives better. It is our firm belief that quality companies with innovative customer propositions and strong tractions will continue to grow and create value.

In May, we will host our annual general meeting and I look forward to welcoming shareholders in person for the first time in three years.

And we are now ready to answer your questions, so operator, please open up for Q&A.

Q&A

Operator: Thank you. If you do wish to ask a question, please press zero one on your telephone keypad. If you wish to withdraw your question, you may do so by pressing zero two to cancel. Our first question comes from the line of Joachim Gunell from DNB Markets. Please go ahead.

Joachim Gunell (DNB Markets): Thank you and good morning. So I really appreciate the improved transparency and granularity on how you assess the unlisted portfolio values. But can you just help us understand how here I am with regards to how we can get comfortable that the current EV revenue multiples actually reflect what you see in the public markets?

Because I mean if we take the value-based care segment for instance, I mean we know that Babylon is perhaps a company that you own that actually have the revenue growth profile which you highlight the most, perhaps the gross margin profile that should potentially reflect where your unlisted assets currently are. They're valued at a multiple that is a number of terms lower than your current value-based care segments, et cetera. So just a few comments on what we should factor into that, given that you weigh it towards growth and perhaps gross margin profiles? As well as over what timeframe do you expect to shift this EV revenue framework towards more DCF valuation? Thank you.

Georgi Ganev: Thank you Joachim. Let me start by addressing the question regarding Babylon and then I will shift over to Samuel for some elaboration around the valuation methods. So on Babylon of course we've seen a soft trading but it's also very much related to the poor liquidity in the stock post these SPAC transactions that happened last year. So I would say that it's more of a specific case that does not generally reflect the value-based care market or the valuation methods that we use for valuing our companies.

But maybe you Samuel can go into that as well?

Samuel Sjöström: Yes sure, thanks. Hey Joachim. I mean a general point, over these last 18 to 24 months we've seen this flurry of IPOs and SPAC transactions that has sort of broadened the peer groups we look at quite significantly. Babylon is clearly one of those companies going public throughout this period. As Georgi said there are some technical factors to take into account as relates to Babylon and that's in general things that we consider when we compose our peer groups. So we tend to avoid adding companies that very recently listed or where there's sort of very low liquidity or there might be lock-up provisions that might have an impact on where their share price is at. So it's not as easy as just looking at businesses that do sort of the same thing and then benchmarking against an average number.

Speaking of average numbers, that's sort of what we're dabbling with here, right. If you unpack that peer average, you can see a fairly wide dispersion between companies being valued at richer multiples and at lower multiples than that average number. That's the general point.

I think on value-based care it's quite simple. We're growing twice as fast as the peer group, hence we feel a premium is warranted and it's a pretty typical pattern that we see in our high-growth businesses that it looks a bit rich, for instance if you look at sort of 2022, we're looking into 2023, all of a sudden we're in line with the peer group. And that's just a concept that we like and that is standard.

On the comment on sort of moving into DCFs, I'm not quite sure how helpful that would be. Firstly, I think the way investors approach these businesses is still largely on a multiple basis. Clearly if you put a revenue multiple under a microscope, what you see is a DCF but at this point in time, people are not sort of doing ten-year-out projections on these businesses and then discounting home the terminal value, which makes up 90% of whatever intrinsic value you end up at.

So we prefer to stick with multiples for that reason but also for the reason that were we to do DCFs on our businesses, we wouldn't be able to give you this sort of sense of relative valuations. Because we're not going to upload those spreadsheets on our webpage.

I think I'll pause there and let's see, Joachim, if you want to sort of head in a different direction or zoom in on something.

Georgi Ganev: We also –

Joachim Gunell: No, sure. That's good. Sorry, no, but is the way to look upon this that, okay, from where we stand now, the best thing for us to scrutinise with regards to how to set the value here is to look at, okay, call it EV revenue growth-adjusted multiples in order to take into account gross margin, based on the peer groups you now highlighted, to basically follow this on a more, call it, regular basis?

Samuel Sjöström: Yes. That's exactly right. And I think ultimately it's about risk reward, right? Where on that sort of – where on that matrix of growth and revenue multiples do investors want to play at? And we're not a bottom left corner investor. That we leave to other people. We're interested in investing in companies that are growing at a significant rate.

Joachim Gunell: Understood. And the final one from me, with regards to, okay, you talk about that you want to factor in that there should not be as long a lag effect in public markets versus private here, but can you say anything about what's the key message here to your various holdings? I mean, many of which recap the status 2021, should they consider to emphasise growth in line with their current growth strategies or basically extend cash runways to avoid down-rounds in the, call it, this year?

Georgi Ganev: I think we are a long-term investor, Joachim, and we are investing in growth companies. If we believe that the company has a very robust business model and we see strong unit economics, we want them to prioritise growth over profitability as long as they can have a premium growth versus their peers. So that is, I think, the general statement but obviously we need to also look at cash runway. As Erika said, our well performing companies have a strong correlation of large rounds end of last year, so we are luckily placed with a portfolio that has a very strong balance sheet overall. There might be exceptions and if we have long-term belief we will support these companies in tough times, not only good times. So we stick to the strategy and we would like to see premium growth.

Joachim Gunell: Understood, thank you.

Operator: And the next question comes from the line of Derek Laliberte from ABG. Please go ahead.

Derek Laliberte (ABG): Good morning and thank you. I really appreciate the clarity, the additional clarity, on your methodology. I was wondering, I mean, obviously private markets you mention are down, the public peers have been falling for quite some time. You didn't do that much to valuations last quarter and you mentioned this dispersion, I mean, where do you think the spread is? I'm not sure if you answered that, the spread between private and public valuations and where do you think they're going, under the assumption that the public markets are flat from this point.

Samuel Sjöström: Hey Derek. I think I'll refrain from comment where we believe that the markets are in terms of the private-public gap. I think I'd prefer to comment on how we approach it when we put together this NAV statement. We're doing this on the assumption that they have now reconciled. That doesn't mean that every single private business is going to raise capital at whatever average peer-group multiple you want to construe. It's still companies we're talking about, these are sort of living organisms and they're all different, but as it relates to this lag, there's nothing that we incorporate in our Q1 and that contrasts again what we did in our Q4, where you heard us and myself arguing that there is a lag. Now we're saying the opposite.

Derek Laliberte: Alright, I got it. No, that's – I'm very sort of canvassed about them. And follow up on Joachim's question there regarding the, I guess the spread between the multiples that you present for the unlisted groups compared to the public groups. I mean, it is a pretty wide dispersion there between the 5.5 to 7.5 for value-based, 17.5 to 20 times for virtual care. I mean shouldn't this be a bit risk adjusted despite the higher growth rates? I mean looking at the software category also, for example. I mean I don't know what public software companies are trading at close to 40 times. I'm just having a bit of trouble to see how this is justified. So any additional comments on that would be greatly appreciated.

Samuel Sjöström: Sure. I mean on the public side, there are a couple of companies that are trading way above that average number. I mean you have companies like Cloudflare, Bill.com, Snowflake, I think Atlassian is still trading north of 20, 25 times MTM revenues. So this is not a wild unprecedented figure also by public market standards.

On software, and I'm sorry to sound like a broken record, but again on average we're growing four times faster than the peer set with strong growth margins. So that means that this sort of premium that we're putting in [inaudible] now, it turns into a discount if you push your horizon just 12, 18 months out. And that's not something we're losing sleep over, that's sort of an integral part of venture investing in that we're taking execution risks on these companies continuing to deliver.

Derek Laliberte: Okay. Cool. No, that's clear. And I was wondering, could you – apologies if I haven't found this, but could you give some more detail on the Pleo valuation error with regards to the multiples applied, if you have any peers that you could sort of name-drop in this case. Thanks.

Samuel Sjöström: I think, you know, the Pleo valuation as evidenced by our returns that you'll see in our NAV statement, is on the higher end. In terms of peers I think we covered it at the last quarter and we put some fair amount of thought and time into Note 4, Derek, so I'd suggest you consult that where we emphasise sort of the concept of looking increasingly on software businesses with a high share of transaction revenue as opposed to subscription revenue. That's sort of the benchmark over time for this company.

But again another business that's just growing wildly faster than the peer set so this is a very fast moving situation and these lofty multiples turn into something that looks very prudent and almost borderline conservative just again looking 18, 24 months up.

Derek Laliberte: Okay. I'll definitely check that note out in more detail.

Georgi Ganev: Yeah, and as you know, Derek, we have this presentation on the valuation deep-dive and also the session later on that we can drill down in some of those questions.

Derek Laliberte: Great, great. I'll look forward to that then. And finally from me, if it's okay, I'd just like to ask about Mathem. If you could provide some details what's going on there. I think I saw some comment about the company not growing in Q1 and if that's the case, is that pandemic related or macro or competition or if you have any details you could provide there on the state of the business, would be great. Thanks.

Georgi Ganev: Yeah sure. I mean, I think the CEO of Mathem was pretty explicit as well when he was interviewed a couple of weeks ago that we see of course difficult comps post-pandemic. It's a combination I would say of order size and frequency that has changed. So, difficult comps for sure. On top of that, why we are taking the value down with SEK 555 million roughly is because they have less efficiency improvements because of the non-automated warehouse. So that's basically – the plan is to launch that warehouse end of this year and if we then compare with Oda for instance, it's a company that is probably one or even two years ahead of execution on their strategy with both higher efficiency and a proven business model that they could also show us during the pandemic with strong growth numbers, and faster growth because of their international expansion. So Mathem is written down because of the peer group and we see that they are kind of lagging versus the other food businesses in our portfolio.

Derek Laliberte: Great. Thanks for that colour. Okay, that's all from me. Thanks.

Operator: The next question comes from the line of Nizla Naizer from Deutsche Bank. Please go ahead.

Nizla Naizer (Deutsche Bank): Thanks. I have a couple of questions from my end. Firstly I'd love to get some more colour from you on your portfolio. Which companies are more at risk when it comes to rising inflation and risks to the consumer discretionary spending, and where have you seen most resilience both in terms of behaviour and your companies' ability to deal with this? Some colour there would be great.

And secondly, you know, we've spoken about the derating, are you seeing more interesting opportunities to invest arising as a result of it? And would that mean your investment activity accelerates over the next couple of quarters to be more opportunistic in that regard? Some colour there would be great. Thank you.

Georgi Ganev: Thank you Nizla. I mean, looking at our sectors, we're investing in sector and overarching trends, so we think these are tailwinds for a long time ahead, right. And if we take healthcare as an example, it's nothing that will decrease because of the interest rates going up or down, it's basically a massive need in order to become more efficient in the healthcare value chain, right. What we're seeing now is probably very much, to the extent of also 100%, correlated to the peers in the market, market multiples. Also in food it's something that would be kind of less sensitive, for instance. There are of course pockets like home delivery of meal kits and so forth that might see an impact over time if we have a different kind of macro-economical development, but overall I would say that our portfolio is relatively resilient.

The second question of yours, if we are a net investor or a net seller in the coming years, I would probably today argue that we have a lot of flexibility. Firstly because we have a wide mandate. We don't have any fund maturity, we don't have any restrictions, and on top of that we have a very stable balance – very stable cash position. With the Tele2 dividend included, it's SEK 8.1 billion. So I think we have a lot of firepower and there will for sure be opportunities in the coming 6 to 24 months where we could invest in something that we think is truly exciting for the long term. So we are ready to invest but we have no pressure to do so because any sort of maturity of cash flow or restricted mandate.

Nizla Naizer: Understood, thank you very much.

Operator: And we have one follow-up question from Joachim Gunell from DNB Markets. Please go ahead.

Joachim Gunell: Yes, so two questions for me. Starting off with a follow-up with regards to, I mean, we talked about Babylon and that the low perhaps liquidity was a reason for where the valuation is where it is there. Would you say that the liquidity is in some cases better in your current unlisted portfolio? And, yeah, perhaps if we start there and I have a follow-up afterwards as well.

Georgi Ganev: I mean, I think it's partly the illiquid share that of course impacts the trading but it's also the peer group. I mean, so it's both kind of reasons for that share price dropping. And I think, I mean I can't say that liquidity's higher in our private investments but the peers we're using in our peer groups, they have higher liquidity than Babylon. That's basically how I would like to put it. And they're more relevant as peers when we look at companies for, say, VillageMD and others.

Joachim Gunell: Yes, thanks. And with regards to the long-term emphasis here, and that you will be able to or ready to commit your stable cash position here into both new and current investments, can you say anything if it would make sense to actually, I mean, pressure the valuation when you increase your pro rata in the current portfolio in order to basically create the most attractive returns in the long term? So any comments on that?

Georgi Ganev: Yeah, I think a general comment from my end, Joachim, is that we provide you with a fair value because that should be fair. We can't use that as a technical tool to either, you know, put us in a better or worse position. That goes in both valuing companies to the better or to the worse. So it's always our intention to publish a fair value and be very transparent with that model.

But maybe then to give a more nuanced answer on what I think you're alluding to, there's no point for us to actually try to keep up the value to save our portfolio if we are also an investor in the company. And I think Mathem is a clear example of that. We still very much support the company's long-term plan. We think and we know that looking at Oda, the business model works, and should we be ready to deploy more capital, we think it should be on fair terms.

Joachim Gunell: Thank you. No, so my question was with regard to the latter you answered there. Thank you.

Operator: As there are no further questions, I'll hand it back to the speakers.

Georgi Ganev: Yes. Thank you very much for listening and for your questions, and as a last reminder, we will report the results for the second quarter of 2022 on 11th July. So thank you very much, good bye.

[END OF TRANSCRIPT]