KINNEVIK

Presentation of Kinnevik's Result Second Quarter of 2020

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Kinnevik's Strategy

Georgi Ganev

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Key Strategic Highlights

Good morning, everyone and welcome to the presentation of Kinnevik's results for the second quarter of 2020. I'm Georgi Ganev, Kinnevik CEO. With me today is our CFO, Erika Söderberg Johnson, our Director of Corporate Communications, Torun Litzén and our Head of Strategy, Samuel Sjostrom.

Before we head into the performance of our companies and the key events in this quarter, let me just say that we've had an unusually busy and eventful first half of the year. As a big part of the world is still in lockdown, the shift towards a more digital world has taken a giant leap forward. In our focus sectors, healthcare services and within consumer services, online food and fashion, we're seeing very strong traction. As much pain and grief as the pandemic has caused, it has also accelerated the digitalisation of consumer behaviour, effectively proving our strategy; and in this quarterly presentation, I'm happy to share with you some clear proof of that.

Key Strategic Highlights in The Second Quarter Of 2020

On page four, we have summarised the key strategic highlights during the quarter. Our focus on pivoting the portfolio towards early growth has continued at a high pace. In June, we divested a small stake in Zalando, providing us the financial flexibility to continue reallocating capital in a dynamic way. Further to that, our board has proposed an extraordinary cash dividend of SEK 7 per share. We have continued to build our healthcare portfolio during the quarter with investment in a new, exciting company, Cityblock, and follow-on investments in Cedar and VillageMD. Notably, our healthcare portfolio now makes up 17% of our total portfolio value, compared to 3% a year ago.

Finally, we have established climate targets in line with the Paris Agreement. These targets are ambitious and represent a strong commitment from us, which we believe will be a catalyst of change across our portfolio.

Our net asset value was up by almost SEK 25 billion, or 38% in the quarter. This was driven by multiple expansions in certain sectors, a very strong rebound in the Zalando and continued strong performance in our healthcare portfolio listed and private and particularly in Livongo. In the private portfolio, transactions in VillageMD and Cedar provided support for significant multiple expansion and valuation write-ups. On the downside, a continued negative impact from COVID-19 had an adverse effect in our travel and emerging market companies.

In terms of investment management activities, apart from the transactions already mentioned, we also divested the majority of our ownership in the Qliro Group generating SEK 198 million in proceeds to Kinnevik. In the beginning of July, so after the end of the quarter, we also divested our entire stake in Home24, generating net proceeds of €21 million. These divestments clearly show our commitment to dynamically relocating capital within our portfolio.

On page five, we have provided you with some details on the Zalando transaction. The sell-down accomplishes two important things. Firstly, it's significantly strengthens our balance sheet and provides us with amplified power to execute our strategy. It gives us flexibility and a strong financial position to execute from. This is valuable, in a market that is bound to be highly volatile for some time to come and we see a number of attractive investment opportunities. The transaction also decreases Zalando's weight in our portfolio, which further contributes to the pivot towards early growth.

Secondly, following the sell-down, the Kinnevik board proposed an extraordinary cash dividend of SEK 1.9 billion in total. This honours our commitment to our shareholder remuneration policy, and ensures that we remain financially disciplined. The dividend is subject to shareholder approval at an AGM to be held on the 19th of August. With the sell-down, we have recouped the €902 million that we have invested into Zalando since 2010. The timing of this transaction is, to a large degree, a result of the Zalando's remarkable performance. Its digital offering and scalable platform strategy puts the company in a very good position to continue to benefit from the digital trend.

Moving on to our healthcare portfolio on slide six. During the quarter, we have invested $25 million for an 8% stake in Cityblock. This investment in base, on the thesis which we articulated to you last year, the thesis of the transformational shift in care delivery from fee for service to fee for value. We believe in the power of that model to better manage populations, increase patient satisfaction, improve medical outcomes and lower the cost of care. Cityblock is an innovative US risk-bearing care provider focused on delivering care to underserved populations with complex health needs. In any population, a small share of the members drives a massively disproportionate amount of health care spend. Cityblock was founded on the premise that people with multiple chronic conditions can be better served by focusing on preventative and integrated care. Particularly if they also struggle with behavioural and social issues. Cityblock partners with insurance companies to specifically manage these high-risk complex members and through their community based care model and custom built technology, Cityblock can deliver better health outcomes. This leads to a reduction in costs, which creates an opportunity for Cityblock to participate on the upside under value based contracts. Cityblock is already present in four U S States with material contracts in each and with the opportunity to expand significantly. Cityblock nicely complements our existing health care portfolio between Cityblock, VillageMD and Babylon health, I believe we have built a sizeable and well-diversified position to benefit from the mega-trend that is value based care.

On page seven, we have summarised some of the highlights from our follow on investments in Cedar and VillageMD. We invested a further 8 million us dollar in Cedar in a series C round led by leading venture capital firm Andreessen Horowitz. This funding round was completed at speed and at an attractive price at the peak of COVID-19 underlining the quality of the business. The company will use the funds to fuel further growth and to become the leading healthcare consumer engagement platform. The market opportunity here is enormous and Cedar has the potential to become one of the leading software companies in the healthcare sector. In July after the close of the reporting period, we invested 25 million US dollar in VillageMD. This was part of an equity funding of USD 275 million in total. The round was led by VillageMD's existing investor, Walgreens boots Alliance. Walgreens have committed to invest a total of USD 1 billion over three years in order to deepen its partnerships with the company.

The partnership means that start with VillageMD will open 500 to 700 new primary care clinics co-located in Walgreens stores in over 30 States in the US. This is a transformational partnership for VillageMD, which will allow it to really scale the business and enter new markets in an attractive cost efficient way. By the end of next year, the first phase of the rollout will be done which may be an opportune time to explore an IPO. Importantly, the funding rounds in Cedar and VillageMD have resulted in a significant increase of our assessed fair value of the companies of over 160% each excluding our newly invested capital. This really proves the quality and uniqueness of our unlisted portfolio. Erica will go through our fair value assessments of the private portfolio this quarter in more detail in just a moment.

Healthcare portfolio

But first on page eight is an overview of the value development of our healthcare portfolio since 2016. We made our first investment in the healthcare portfolio - healthcare sector about four years ago, when we invested in Babylon. Since then, we've made five more investments and deployed a total of SEK 3.5 billion. The unrealised return of the portfolio to date is 5.1 times that of our invested capital, this corresponds to an unrealized IRR of around 140% and yet we are only at the beginning of our company's growth journeys. Importantly, the success of our healthcare portfolio has strengthened the Kinnevik reputation in the market. It has also improved our access to the best deal flow and created a competitive advantage actually move forward. More broadly, healthcare has grown significantly as a share of our total portfolio. It now accounts for 17% of our portfolio compared to 3% only a year ago. Moving on to some other high performers in our portfolio on page nine.

High performers

MatHem and Kolonial saw surging demand in March as the pandemic reached Sweden and Norway, both companies have started a number of initiatives to make sure their new customers are retained for the long run. MatHem opened a second warehouse in Stockholm and change its core products. Instead of all slots being open at all times, they started releasing delivery slots two days in advance. These initiatives have created a better customer experience and they are paying off. However, satisfying the surge in demand has created efficiency challenges over the short term and this has led to elevated fulfilment costs, which has negatively impact margins. Kolonial quickly doubled its capacity by adding a third shift on the picking line and they launched prepacked food boxes in under 48 hours. Demand continues to be high and the company's working hard to retain the new customers. Among other initiatives Kolonial is investing to improve its core product and to further strengthen the relationship with its customers. Budbee has also benefited from the digital trend and is seeing significantly higher volumes as more people move to online shopping. As a testament to that, 2020 revenues have already surpassed full year revenues for 2019. The company closed large funding round in the quarter and are now well-funded to invest in further growth. I would now like to hand over to Erica to go through the valuations of our unlisted assets and our financial position starting at page 10.

Kinnevik's Financial Position

Erika Söderberg Johnson

CFO, Kinnevik

Coronavirus Impact

Thank you your Georgi. Since the end of the first quarter, the effects of the coronavirus pandemic has stabilised somewhat, although the future still remains uncertain. In the second quarter of this year, we believe our portfolio can be largely divided into three categories of companies. In the first category are our ecommerce businesses, which have experienced the substantial rebound during the quarter. This was driven by a renewed interest in digital services from consumers, as well as investors, which has fuelled significant multiple expansion well above pre-COVID levels. Zalando's share price was up almost 80% during the quarter and GFG was up over 150%. In the second category, you find are more resilient businesses. These companies have seen an either increased or stable demand for its services since mid-February, when the pandemic started affecting how we live our daily lives. TELE2 belongs to this category and so do our healthcare online food, and last mile companies. Livongo has continued at stellar performance during the quarter with a share price that depreciated over 160%. In the private portfolio, as Georgi mentioned, transactions in VillageMD and Cedar provided support for significant multiple expansion. Furthermore, our online food and last mile companies continued to see strong demand. Although it's still uncertain how these trends will last over the longer term, they are having a direct effect on our LTM revenue based valuation method. This has led to a write up of 7% of our motto investment and a 20% write-up of our investment in Kolonial.no. In the third category are primarily our emerging market assets. During the quarter, the pandemic has continued to weigh on the performance of these companies and we have seen an under-performance across the board. All in all, our net asset value amounted to SEK 89.6 billion at the end of June. That is SEK 323 per share and represents an increase in the second quarter of SEK 24.7 billion or 38%.

The market substantial upward revision of the values of our listed assets accounted for SEK 23.5 billion. The fair value of our private portfolio was written up by SEK 1.3 billion or 10% during the quarter with net investments of SEK 395 million, the total increase of the private portfolio amounted to almost SEK 1.7 billion in the quarter. This was largely driven by the valuation write-ups resulting from new transactions in VillageMD and Cedar. Notably the transaction in VillageMD resulted in evaluation write-up of SEK 1.4 billion, corresponding to SEK 5.2 per Kinnevik share. The publicly traded part of our net asset value traded up by more than 40% in the second quarter, compared to the NASDAQ trading up 31% and the OMX 30 up 12%. Our share price appreciated by almost 50% on the back of the contracting discount. We saw some significant currency headwinds in the quarter. The Swedish Krone was up 6% against the US dollar and 4% against the Euro. The Norwegian Krone was the only material currency from the Kinnevik perspective, providing tailwind in the quarter. With a large share of our balance sheet in dollar and Euro denominated investments, they set a material negative effect on our fair value approximately SEK 2.7 billion on the portfolio as a whole and SEK 700 million on the fair value assessments of the private portfolio.

We are of course as always happy to try and answer any questions you may have on our evaluations when we move to Q&A. I would however like to take the opportunity to highlight pages 24 to 26 in the quarterly report where we have elaborated more on our valuation assessments and methodologies used. Finally, I would also like to mention that with Friday's closing prices over our listed assets, our net asset value was SEK 93.7 billion up 5% so far in the month of July. This was largely driven by continued very strong performance in Livongo.

Financial Position

Please turn to page 11 for an update on our financial position. The Zalando sell-down generated net proceeds of SEK 6.7 billion. We also received the first tranche of ordinary dividend from TELE2 of SEK 516 million. The second tranche of equal size will be paid out in October this fall. As you know, TELE2's extra dividend was postponed in April due to uncertainties around the effects of the coronavirus. Also, we made investments of SEK 395 million in the quarter with a majority into Cityblock. Net of SEK 4 billion in commercial paper bonds and unpaid investments and divestments, we ended the quarter with a net cash position of SEK 5.5 billion corresponding to 6.6% of our portfolio value. Adjusting for our upcoming extra dividend or net cash position amounts to SEK 3.6 billion. In a sense, when the Zalando sell-down dusts over the medium to long term is that it provides us with a position of financial strength to execute from. While our 2019-2023 plan was fully funded already before this transaction, the plan and the development of our financial position is now de-risked. This means we are not dependent on the sequencing of certain exhibits to proceed with our capital allocation plan. Having said that we do remain focused on active reallocation of our capital in line with our strategy. As Georgi mentioned, following the Zalando sell-down, Kinnevik's board of directors proposed an extra ordinary cash distribution of SEK 7 per share or SEK 1.9 billion in total. The extra dividend honours our commitment to our shareholder remuneration policy. It ensures our balance sheet remains efficient and that we remain financially disciplined. The size of the cash distribution was determined based on our financial position and net investment forecast. In summary, we have a very strong financial position from which we can execute on our five-year capital allocation plan. With that, I would like to hand back over to Georgi for a comment on our newly established climate targets, as well as our key priorities going forward starting on page 12.

Key Priorities

Georgi Ganev

CEO, Kinnevik AB

Sustainability Strategy

Thank you, Erica. Kinnevik has a holistic approach to value creation and a strategy for sustainable business development, which includes economical, social and environmental aspects. As part of our broader sustainability strategy, we have announced climate targets in line with the Paris Agreement for Kinnevik and our portfolio. The emissions from our portfolios by far the largest part of our footprint. Therefore, we are dedicating substantial resources to provide hands on support to our companies. We are in a strong position to influence and it's our responsibility as active owners to future proof our portfolio for a low carbon economy. Our first targets used to achieve net zero greenhouse gas emissions from Kinnevik's own operations and business travel already this year. The second target is to have the greenhouse gas emissions intensity in our portfolio by 2030. This means that we expect all our companies to measure their emissions and set climate targets in line with science. We will continue to report on progress according to our targets on a yearly basis. In addition to building long-term sustainable businesses, we have three clear priorities as outlined on page 13.

Growth of Companies

As we have proven this quarter, we remain firmly focused on pivoting our portfolio towards a higher proportion of growth companies in our target sectors and markets. We are also reallocating capital more dynamically and creating a stronger balance in our portfolio across sectors, stages and maturities. It's been a unique first half of the year in many ways, it's been deeply challenging and painful but also rewarding and exciting and I'm very proud of all our companies in facing this new reality. As always, I'm also humble and thankful for the continued support from our shareholders. We are now ready to answer your questions. So operator please open up for Q&A.

Q&A

Joachim Ganel (DMV Markets): Thank you, good morning. So you touched upon this Georgi with VillageMD, but we've seen how both financing rounds and by pure listings have crystallised values from your growth portfolio in an accelerated fashion and in the policy, but how should we think about that split? So valuation uplifts from financing rounds versus the IPO listings in the coming say 12 to 18 months?

Georgi Ganev: Hi Joachim, I think it's a brilliant question. It probably depend from company to company and sector and sector for us to speculate now and to say that we have some kind of general view on that. It is very, very difficult. But of course, if you look at the valuations we have for a company like VillageMD for instance, with some of its peers with for instance, bond medical, you'll see that our multiples are actually a bit lower. So that will give you a hint for that particular case but I don't think that you can draw any general conclusions from that comparison.

Joachim Ganel: All right. Another question, you've started to break up in terms of segments, emerging markets into a separate division here. So can you talk about the rationale here?

Georgi Ganev: Yes, I can. We have said for quite some time now that our focus markets or focus geographies, are Europe and US. We have a special - let's say focus on the Nordics where we allow ourselves to invest in somewhat earlier and less mature companies. Apart from that, we don't have the same focus. We have a few companies that are purely focusing on emerging markets and since that is not - let's say the core geographical market, we think it's better to group them together in the quarter report. That was the reason for changing that grouping.

Joachim Ganel: Very clear. I'm just a final - perhaps for Erica but I really liked the increased granularity here in your value assessments. But in Babylon, you spend the slight variation decrease by adverse effects but we've seen a material multiple expansion in the healthcare IT space kind of OpEx to say the least, in Q2 so that should be enough to offset the aspects or headwinds for how should I think there?

Erika Söderberg Johnson: I actually hand over that question to Samuel to reply on.

Samuel Sjostrom: Thanks Erika. How are you, Joachim. So yes, the fair value of our Babylon investment is flattened dollars this quarter, but the down in SEK due to FX. We agree with you COVID-19 has sort of clearly driven telemedicine adoption from which Babylon is benefiting. It has also accelerated the sort of commoditisation of telemedicine products that are significantly less advanced and sophisticated and Babylon's but that's still catered to some of this increased demand we've witnessed during the pandemic. Now, in terms of our valuation, this is a company where we have an unrealised IRR of almost 60% since our first investment in 2016. In this type of hyper growth business value growth is not necessarily linear. So you'll recall that our fair value increased massively during 2019. So from a more prudent IFRS and IPAV guidelines perspective, it might be some time before the momentum we're seeing now in Babylon is reflected in our valuation. As we said in the last quarter, I believe we are cautious not to revise our value assessments based on extrapolations of the momentum we're witnessing now during the first half year. But we want to await more clearer indications that the disruptive change ongoing within the space now persists also after the pandemic abates. But having said that, Babylon is tracking above an ambitious budget. They've grown at some run rate revenues by around 5X, during the first half of 2020. So underlying performance is strong. In relation to Teladoc that you mentioned, Babylon is growing significantly faster but Teladoc is a more mature business operating at high single digit EBITDA margins, we are not. So on multiples since we're growing so much faster, it's very dependent on what timeframe you're looking at, but in the near term we are pretty much in line and that we were not, a year ago. So that gap has decreased fairly significantly.

Joachim Ganel: All right, thank you for that Samuel. That's all for me.

Derek Laliberte (ABG Sundal Collier): Yes, good morning. I was just wondering if you could provide some additional colour around your pipeline for new investments and which target sectors you're seeing the most opportunities and now. Clearly you've been very successful and done a lot in the healthcare segment lately so just wondering if you could give an update here on where you're spending your time. Thanks.

Georgi Ganev: Yes. Hi Derek. We look for companies in all our focus sectors. So we continue to have a very good traction in the healthcare segment albeit we have grown the portfolio from 3% to 17%. We're still looking at attractive opportunities. In financial services, we're also broadening our approach, looking at areas such as InsureTech to give you one example and some security services. Within consumer services, we also see the opportunity for Kinnevik to invest in alternative marketplace models, which means maybe not focusing as much in inventory based E-Commerce, since we already have quite a high exposure to that type of consumer service. So within consumer services, as you remember, we invested some year ago into travel companies and those are the type of subs sectors we look at. So where marketplace models can actually disrupt a large sector within consumer services. So that should give you some kind of idea of what we are looking at. Having said that we don't want to disclose, of course any specific companies we are talking to or looking at. But I would like to reiterate the message that we see a number of interesting opportunities. As we said already last quarter this dreadful pandemic also you know brings opportunities both within our existing portfolio, but also when it comes to our pipeline.

Derek Laliberte: I understand, that's very clear. Thanks.

Stefan Doug (Talent Securities): Thank you and congratulations to strong sets over. I'm coming back to this Babylon valuation which I don't really understand. You write in the report that you related to peer group in which Teladoc is included and Teladoc up closely close to 200% year to date. You also mentioned that Babylon is operating or a big thing about the expectations and that the evaluation is based on 2020 multiple second consecutive quarter in which we see you're down a lowering of the value of Babylon and it's completely explained to FX. I really don't get that picture fully. So if you could give some more detail maybe on where the revenue volumes are or something, and also perhaps to give some colouring in to the revaluation of the VillageMD in the quarter, what could they struck on and if it's only or completely relating to the recent deal they struck that you announced. Thank you.

Samuel Sjostrom: Sure. Hi Stephan, Samuel. I'll try to give some more detail but I think my answer to you Joachim was pretty full in terms of what we can say. But in relation to Teladoc, yes clearly we've seen how that stock has performed over the short term. Would you take a longer view on sort of value growth and compare that with Babylon over the last two years, the picture would be fairly different. So that's what I mean with value growth not being necessarily linear as it is on the stock market. Babylon is still a smaller company than Teladoc and its growing significantly faster. As Babylon starts to sort of mature and become of a scale more closer to Teladoc, it should also trade more in line with its peer group. So we are still closing that gap. It's very narrow now compared to where it's been and once that gap is closed it's very more likely that under this regulatory framework, within which we value our businesses, that you will see value growth in our investment.

Georgi Ganev: Maybe if I should add to that as well Samuel is that we have Teladoc in the peer group, that's correct. But actually comparing Babylon directly with Teladoc is not really fair. Teladoc is much more of a traditional, I would say telemedicine company which has been very successful lately and we've seen that both in terms of increased demand and increased value appreciation in the stock market. But Babylon is building something completely different. It's a platform that is - I would say much more complex, but also has a much greater potential long-term. So it's about delivering integrated care with large insurance providers such as Prudential in Asia and corporations with complex organisations, larger organisations, such as Centene in the U S. Those rollouts are also underpinning our evaluation, how those are tracking and the development we'll see on the full range of product development.

Having said that we are happy to see the increased traction we see in Babylon, but we are careful to extrapolate that full potential in let's say a two, three years' horizon. Which obviously that company will be valued at some point. So what Samuel and the team is doing is more looking short term on the 2020 revenues, but also acknowledging that we're taking some big bets within Babylon that hopefully then will generate some kind of more significant leaps in terms of valuation going forward.

Samuel Sjostrom: Thanks Georgi. Stefan on VillageMD, as you will recall, under the IPIV evaluation guidelines which we apply in our evaluations, transaction valuations are not necessarily recognised as a sort of standalone valuation method. The second point related to that, it's not necessarily funding rounds as such that creates value in our portfolio, but the valuations at which these funding rounds are concluded or are clearly a very concrete reference to the value of a business sort of in lieu of companies being traded in the public market. So with that in mind the valuation at which this first equity tranche is invested, it clearly provides guidance to our calibration of the assumptions that goes into our multiple based valuation. But more importantly, it's the massive growth opportunity that this Walgreen's tie up represents that is driving value creation here. As it relates to that journey, it's sort of just begun. We are still at a sort of steep discount to one medical and multiples. Nevertheless, we sort of believe that VillageMD has a more attractive offering, more attractive financial profile, and the growth outlook is something very special now with the woodwinds partnership.

Stefan Doug: Thank you.

Leanna: Thank you. I have a couple of questions. First of all, I was wondering the Qliro transactions, if there have been any other of the shareholders that had the opportunity to take up your offer, which have decided to do so, if you will be able to reduce your stake further. Also on your other divestments you say you continue to work with the capital reallocation strategy, could you say something about how the market is? The stock market has been strong but what about M&A and disposals? Then on TELE2, the EL dividend, which has been postponed, have you any views on this on when that could be a decision how soon that could come? So far it's just been said that it will be in the second half of this year. Finally, on your emissions reduction target, it will be interesting to hear which companies are your biggest polluters and if you have the same sort of 50% reduction target for all companies or if some of the more mature companies have a bigger target, a higher target as just smaller ones could have moved much faster. Thank you.

Georgi Ganev: Thank you Leanna. I will start by handing over the first question to Samuel regarding the Qliro transaction and then I will continue with question number two.

Samuel Sjostrom: Sure. So Leanna on the sort of take up in that transaction, that process is very much ongoing. However, we believe that we will be able to exit fully given the sort of demand we've seen from mortem shareholders thus far.

Leanna: Okay. That's good to hear.

Georgi Ganev: Thank you Samuel. So on the second question regarding M&A potentials during the pandemic. I think it's very different depending on what sectors and companies you look at. In some areas we've seen a surge in demand and I think some of our private investments within healthcare demonstrates that. But also in other sectors this pandemic makes a perfect opportunity to look for consolidations and other types of transactions, which we are constantly looking at, discussing with the companies and with other investors as well. So for sure this crisis brings a lot of opportunities in them and a sector as well. When it comes to divestments, again, it's depending on what type of sectors and what type of companies we're looking at. We've said in the report that we see some headwind in emerging markets. So that has been the case for a while and there it's less easy to facilitate these transactions and potential M&A mini projects. Question number three, was that regarding TELE2 -

Erika Söderberg Johnson: TELE2.

Georgi Ganev: - TELE2 dividend, right?

Leanna: Yes.

Georgi Ganev: We have no further information that the company has disclosed so far. But I think TELE2 is reporting tomorrow.

Erika Söderberg Johnson: Yeah, so far we know they said it we'll revisit the question later this year. That's what we know. So we'll see tomorrow, if they say something else.

Georgi Ganev: Question regarding our climate targets.

Leanna: Yeah.

Georgi Ganev: Yes. Of course we track this both in terms of maturity and growth pace in our portfolio, but also what type of business it is. We have initiated let's say a dialogue with the private companies in our portfolio that is heavy on the operational side and creates a larger footprint. As an example is like, MatHem and Kolonial obviously, whereas a pure digital company will have less environmental footprint. Our larger companies in the portfolio, TELE2 and Zalando, they run their own climate strategy and very much aligned to our overall targets, which is of course I'm happy to see that. As you perhaps knows, Zalando disclosed their new climate targets just after we announced our targets and they are a hundred percent aligned. So I think that we focus mostly I would say on the fast growing companies with a significant footprint that typically comes from a large operations. Of course these companies are allowed to have even higher ambitions, higher targets than what we have set out, but this goes for our entire portfolio.

Leanna: Thank you.

Liz (Bank of America): Thank you. Good morning. Thanks for taking my question. Firstly, you made a comment on VillageMD saying that, by the end of 2021 you might start thinking about an IPO. Could you expand on that? Would that be - just starting to think about it and just maybe potentially kicking off the process. So an actual IPO might happen in 22 or is it maybe something that could happen a bit sooner than that. Secondly, on Cityblock and VillageMD, they obviously are targeting different - VillageMD seems to be a bit more broader, whereas Cityblock seems to be a bit more focused on demographic. Is there any potential for you to bring those two businesses together or are there any learnings that those two businesses can share and would you try to open up that channel, I suppose? Thank you.

Georgi Ganev: Thank you, Liz. So when it comes to the potential IPO of VillageMD, as I said an opportunity to look at this we basically are just saying that with the rollout after a year or so, and there's still lot more to actually deliver on that partnership that might be a good timing. But of course, that boils down to what's the market sentiment in general and a lot of other factors that we don't know today. So we're just saying that the company is relatively mature. It has a very strong shareholder base. Now on the back of this partnership with Walgreens Boots Alliance, we can also secure a long-term profitable growth. Those are kind of parameters that I think would fit squarely with an IPO. When it comes to the comparison of Cityblock and VillageMD, that's correct - their models, remain quite much of each other and the difference is that Cityblock is focusing more on these complex and populations whilst other challenges such as behavioural health and social issues. So in US that's more of the Medicaid segment rather than Medicare. I think they complement each other from an investment perspective well and right now I think Cityblock is less mature as a company and we believe that they have such a great team and such a great vision. So they can grow on its own for quite some time before any consolidation or M&A activities needs to be in place. But I think hypothetically yes, those two businesses complement each other and time will tell what will happen. When it comes to best practice sharing, of course our healthcare team is working with both of these assets. So we are already making sure that we can learn from, both assets from Kinnevik standpoint, but also make sure that of course all our founders and the key persons within management are also best practice sharing information that can be shared. So that's hopefully somewhat an answer to your questions.

Liz: Yes, absolutely. Thank you.

Joachim Granel: Thank you again. So can we perhaps talk just a bit about - Livongo, both operationally and on the share price has been a success as of late and where would you say that Livongo are now in relation to your own timing? So a year ago and perhaps how do you think about the Livongo's competitive positioning among people or patients with chronic conditions now that it has so quickly been able to reach scale and become Brown that - I mean the safe choice if you like for customers.

Georgi Ganev: Thank you Joachim for that question. I think if we zoom out a bit and we look at Livongo from the first time we invested in the company, we already saw that that team was absolutely stellar and the whole notion around people not being well treated when they had chronic decisions, starting with diabetes was enough as a thesis for us to invest. During 2018, as you know, we led the next funding round and then we acquired more shares in parallel with the IPO and 2019 still being very bullish on the long-term prospects of Livongo. Today, I think it's clear that what the company has built is not only a treatment for people with diabetes, but I would say a superior platform that could treat different patients with different chronic conditions. So they expanded into hypertension, they're expanded into behavioural health and of course these large contracts they have both with insurance companies and with private businesses, they see the benefit of rolling out these services to their employees because the employees are getting healthier, of course happier, more loyal to the company. We see fact-based KPIs, such as long-term, blood sugar, the glucose measures and so forth that that is improving over time. So I think that the scale that Livongo has built up is impressive and COVID has only accelerated this digital trend when it becomes more relevant to be treated remotely. We believe that although the company has been performing very well for quite some time, we believe that that performance will continue when it comes to market valuation, multiples and so forth. I think it's a bit more, let's say - I'm more reluctant to comment on that outlook. I think the market will value the company depending on many other factors as well. We are more focusing on their performance and I'm still very, very certain that Livongo will continue to deliver strong results for quite some time.

Joachim Granel: All right, Georgi thank you for that colour. Finally, COVID-19 market volatility so I would say, has shown that some investors - if we were to talk about Betterment, some investors still wants a human advisor relationship. Do you think that that could be say favourable for the incumbent? Say the Vanguard tour or discharge Schwab who I've already so incorporate the hybrid advisory I mean Betterment have obviously expanded its banking products, but what do you think the impacts would be for Betterment?

Georgi Ganev: I don't think that that is basically a conclusion that you can grow. The situation is rather that the Vanguards and the shell swaps and the other is the incumbents, if you may they have one big asset which is their existing customer base. To change that customer base into the other service, that's the challenging part here. What they have done in the last couple of years is to invest heavily into - also automated services like the Betterment one. But we have to remember that Betterment is still the largest independent robo-advisors in the world. We think that the growth that they have shown over the last years is very impressive. But I think the main challenge is that the long-term relationship that these incumbents have had with their customers is - I mean, that is a moat clearly for challenges. But we've seen that in many industries before as well. And, and we know that with some patients and continued support these companies will show that the future is definitely more digital than we think. So I think in the long run they still have a very good position. If we look at our entire portfolio and the volatility of the markets the sentiment has changed quite fast from first, people being quite sceptical about these high growth digital companies. But we have learned now from this period that the behaviours that we see today is probably part of the new normal and will accelerate as I said, the future behaviours and that I think is beneficial across the entire portfolio. Even in sectors where we see some significant headwinds today. I think being digital also in those large sectors, such as Travel will be beneficial over time.

Joachim Granel: Perfect. Thank you very much, Georgi and team and I hope you have a great summer.

Georgi Ganev: Thank you.

Romil Corer (SEP): Thank you operator. Morning, everyone. Thank you for taking my question. Just one question. If I may on the topic of financing needs in particularly the companies adversely affected by the pandemic, could you say anything in terms of timing and what you foresee for other travel exposed companies and the emerging markets exposed companies if you will, in terms of financing needs in the short term here?

Georgi Ganev: Hi Romil. Thanks for the question. As we said last quarter the companies being mostly impacted are definitely the ones within the travel sector where demand went almost to nil in a couple of weeks. We have been running cost efficiency programs across our entire portfolio, but it's specifically in these companies obviously and I would even say that they are in some waterman hibernation mode today at ready to scale up their businesses again when demands returns. So they have been focusing on securing customer counts long-term, which was Travelperk has been very successful in doing on the corporate side. They've been investing quite a lot in product development, so they are even better positioned when the man comes back. But they have also again made sure that their cost base has significantly decreased during this period. I would, again go back to the overall thesis that even if you are in a sector that - where you see a lot of headwind or you feel that I've a lot of headwind today, over time to be positioned as a digital company, you will benefit from the structural change and customers going from using physical services, migrating into digital ones. So even though the travel sector would decline over the coming years, I think this company can still grow and become something. That is something that long-term investor sees. But I of course can be very clear as well to say that raising capital in that sector is more cumbersome than raising capital within the telemedicine or digital health area right now. But with the right long-term investors that see that structural shift over time, we're able to secure enough capital to these businesses as well.

Romil: That's clear, Georgi. Let me just ask a follow up if that's okay. You've committed some sort of a capital framework also for 2020, how much of the refinancing thing in existing portfolios will be for bleeding, if you will, such as the one who did in VillageMD and how much of that will be defensive to secure the liquidity and financing situation in the assets?

Georgi Ganev: I think it's difficult, to say - well, what we said is that - the overall capital allocation framework that says that two thirds of our capital will be deployed in what we call follow on investments to the exist - in the existing portfolio and while one third into new opportunities. What we said last quarter that during 2020, it will be a slightly higher share to the existing portfolio due to the pandemic because certain companies would need cash earlier. But over let's say five year period, this number will be the same anyway. So we will stick to our long-term guidance if you may and, and we see that this is just a smaller change near term but not of a significant level at all. I don't know if you want to add anything Eric, on that?

Erika Söderberg Johnson: No, I think that's fair.

Romil: Thank you.

Johann Sugart: Thank you. Can I ask you a little bit - I heard your explanation on why you are your breaking out the assets, which are on the total emerging markets and also hear your explanation about your focus area. Please correct me if I'm wrong that these companies they for being on the resource side, companies which where you don't see yourself as being long-term owners, is that correct?

Georgi Ganev: We are basically focused on strategies, as around geographies, that's for new investments, not for the existing portfolio that we have said before. But again, of course we will be more disciplined let's say with deploying capital into companies that are off our focused geographies. That is correct. Whether we are long-term owners or not, that depends on basically our potential exit as with all assets. So we think it's clearer to group them together since the investments that we will do going forward, they will definitely be in our focus geographies.

Johann Sugart: I guess also you could include Global Fashion Group into that category.

Georgi Ganev: Yes, and no. If you look at Global Fashion Group they have some emerging market exposures especially Southeast Asia, but a large part of the asset is sold. So in a country like Australia, for instance. I would argue that we see very similar trends to Russia that we see in other more mature markets when it comes to market penetration of online services. So I think it's not as black and white as a company, like for instance, BIMA.

Johann Sugart: Okay. And when it comes to your investments into health care services also, I mean it's a super-hot dire right now. Could you talk a little bit about bond, the transaction multiples where you're currently investing into for example, Cityblock.

Georgi Ganev: Yes. We will be happy to talk about that because we think that we're going into these companies at some quite attractive levels, I will hand over to Samuel, but just say also that what I mentioned earlier today is that our success within the healthcare sector has put us in a position where we actually have an improved deal flow now of incoming opportunities. We've also built up an extensive network of advisors and people that we trust in the US and that are so of course, very helpful when we do our - let's say new investments, but Samuel, you could please elaborate further on that.

Samuel Sjostrom: Sure. Considering the similarities between Cityblock and VillageMD that Georgi already mentioned earlier, the peer group we benchmarked Cityblock against, is the same one as we use for VillageMD. So on the revenue multiple basis I would say that our entry price in Cityblock is fairly in line with our entry price in village during late 2019 on a multiple basis.

Johann Sugart: Okay. Can I also just - coming back to earlier comments and questions upon the valuation of down listing portfolio. I hear your explanation and I fortunately understand them as well on the other hand, I mean, it's, I think it's a part of the tree here, or part of their investment why to invest into Chinetti case is they are unlisted business. I'm not sure if this prudent valuation approach which you're doing or undertaking on their unlisted businesses is that great to be honest there because I mean, it's not that different from the investment or the levels where you invest into this one. I think it would be good for you to be honest, to take a little bit more of an aggressive approach upon at least trying to look upon the more to the valuation. You're highlighting all the great qualities in your own unlisted companies but it doesn't seem like you really want to put them into figures and I kind of miss that to be honest.

Samuel Sjostrom: That's well noted Johann. We elaborated on this at the capital markets day last fall. I think the sort of gold standard here as it relates to our valuations is to provide you guys with basically the data that we have when we make our assessment and then you guys can opine on a fact-based basis on whether or not you guys believe we are right. Having said that, you say you sort of partially understand it, that sort of applies to us as well, because as you well understand, we use different lenses when we assess valuations when it's a matter of investment decisions and when it's a matter of putting together a NAV statement. When we make investments, we take a very long view considering we're long-term shareholders, when we do our NAV statement, we take a much shorter view. That is due to the regulatory framework and we believe that within that sort of corridor of what you can argue is a fair value, we prefer to remain prudent. But having said that I hear you.

Johann Sugart: Yeah, that's great. No, I think it's too bad really, because these recent trends that we had seen earlier. We noted here. You're in a pole position considering what's happening in your listed of portfolio, in your unlisted portfolio but we don't see that in the actual value of that unlisted, which gets neglected, which I think is huge a shame considering that there's a tremendous - I'd stress the word tremendous potentially down this portfolio which the market doesn't see right now.

Samuel Sjostrom: I agree with that. Just one, one sort of quick comment. I mean, clearly what's happening now. It's not that it will not be reflected in our NAV statement. It's just a matter of allowing this to sort of pan out until it does. So it's not that it's going to miss but it's a matter of having more concrete inputs into our models.

Johann Sugart: Yeah. Okay, great. Thanks a lot.

Samuel Sjostrom: Thank you very much for your input, and I'm afraid that we have to close the call now. So thank you very much for listening and for your questions. As a reminder, we will host our extraordinary general meeting on the 19th of August and report our results for the third quarter 2020 on the 15th of October and everyone stay safe now and have a very nice summer. Thank you very much.

[END OF TRANSCRIPT]