



K I N N E V I K

Q2 Report 2021

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Presentation of Q2 2021 Results

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Agenda and Presenters

Good morning, everyone, and welcome to the presentation on Kinnevik's results for the second quarter 2021. I am Georgi Ganev, Kinnevik's CEO, and with me today is our CFO, Erika Soderberg Johnson. For the Q&A part of this call, we are also joined by our Director of Corporate Communications, Torun Litzen, and our Head of Strategy, Samuel Sjostrom.

Let us now move to page two.

As usual, we will start today with some strategic highlights during the quarter before covering two specific topics: updates from our healthcare sector companies, followed by the developments in our Nordic portfolio, which we have started investing during 2018. After this, we will go through our financial position, as well as a recap of our capital allocation framework.

The last few months have been eventful months for us and our portfolio. For the past few quarters, we have commented on how valuations of fast-growing digital companies continued to be very elevated compared to the pre-pandemic levels, and that is still valid today. We note that European valuations are catching up to the levels observed in the US. However, as important, we continue to see an overall strong operation development in our portfolio companies and will maintain our pace of investments since we believe that the consumer trends we see in our sectors are here to stay.

Highlights of the Quarter

On page three, we have summarised the key strategic highlights during the second quarter.

Distribution of Zalando shares to Kinnevik shareholders

We started 2021 from a position of strength across our portfolio, and the last few months mark the continuation of that development. A key event in the second quarter was distribution of our Zalando shares to our Kinnevik shareholders. The AGM held at the end of April approved the distribution at the last day of trading in our shares, including the value of the Zalando distribution, was 14 May. The distribution represented SEK 54.1 billion in value, handed over to our shareholders, or more than 40% of our net asset value at the time.

On 18 June, the redemption shares were automatically redeemed for Swedish Zalando shares. In a couple of days, the whole transaction would be finalised as the remaining shares are made tradeable in Frankfurt. We made the decision to hand Zalando over to our shareholders not because we do not believe in the company – we very much still do – but to increase the focus on our younger growth companies, and Zalando has continued to deliver also during this quarter.

Babylon to become a public company

In June, it was announced that Babylon would merge with SPAC Alkuri Acquisition Corporation and thereby become a publicly traded company on Nasdaq. I will get back to that in more detail later in the presentation.

Pleo valued at \$1.7 billion

Our portfolio company Pleo recently announced a fundraise of \$150 million, co-led by Bain Capital and Thrive Capital, valuing Pleo at \$1.7 billion. We participated with \$27 million above our pro rata share.

Budbee up; Teladoc down

Other changes impacting our net asset value include the uplift in valuation of Budbee, where we see strong operational momentum as well as significant appetite from investors for this type of next-generation, last-mile delivery companies. The weak share price performance in Teladoc had a negative impact on our NAV during the quarter

New companies

We also added two new companies, Superb and Parsley Health. And this morning, we also announced that we have co-led a funding round in Nordic challenger bank, Lunar.

Committed to sustainability

We continue to work on sustainability and remain committed to the climate targets we announced in May 2020 to reduce our emissions in line with the Paris agreement. I was, therefore, happy to see Hagainitativet, a business network that strives to reduce the climate impact in the business sector, including Kinnevik on the list of large companies receiving a green light in this regard.

Improved D&I

As for diversity and inclusion, we have made significant strides in this area over the last year. 12 months ago, at the end of Q2 2020, our investment team was made up by 18% women. Today, I am pleased to say that this number has increased to 38%. D&I is also an area where we offer hands-on support to our portfolio companies. And so far, in 2021, we recruited eight new female non-executive directors to the boards of our portfolio companies, and 19 new female non-executive directors over the last 12 months.

At the end of the second quarter, this summed up to our net asset value being up by SEK 12.6 billion, or 11%, compared to the end of the first quarter, including the increase in value on the Zalando investment up until it was distributed and amounted to SEK 76.2 billion, or SEK 274 per share.

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. But first, let us take a look at the development within healthcare services, starting on page four.

Healthcare Services*Secular growth trends next 20 years*

Since early 2016, we have seen close to SEK 25 billion of value creation from our healthcare portfolio. We have continued to go deeper into the rapidly evolving landscape of services and delivery models, like more personalised healthcare. We have built up a solid reputation in the

healthcare space given the track record of our portfolio companies. We were early on to identify the opportunities and we were bold in testing out new approaches in a flawed system. We have done this by continuously backing strong founders with a passion for what they are building in a very large market, and we are now looking even further.

The pandemic has brought forward a ten-year shift into a two-year period and as we continue to build our portfolio, we combine a deep appreciation of the accelerating pace of innovation with a 20-year perspective. There are many secular trends at play here that will be relevant in the coming two decades. Healthcare needs to, and is moving towards more precise, personalised pathways where incentives are better aligned and digitalisation and data helps to improve the outcomes. This is a must, given the ageing population and the prevalence of chronic diseases in society today.

What's next for Kinnevik

This fast-changing environment creates enormous opportunities to increase access to beneficial healthcare services and shift profit pools from incumbents. We will go deeper into the clear trend of even more personalised speciality care that is value-based and delivered virtually. And for Kinnevik, this also means taking a broader look at the full ecosystem while continuing to build our portfolio. Cedar is a great example in the cross-section of healthcare and financial services, and we are excited about the opportunities in automation tools for both payers and providers while also looking at pure B2B plays supporting the development of a better healthcare sector.

We believe that the current growth of telemedicine will continue to create winners in specific verticals that tailor their brand, service and data to clear niches and will transfer the long-term doctor-patient relationship into a virtual environment that has historically been disjointed and transactional.

On page five, we will look at two specific examples.

Babylon

Last quarter, we highlighted the strong traction in Cityblock and Cedar. This quarter, another of our healthcare companies has taken an important step in its growth journey. Babylon will become a publicly traded company through its agreed merger with the SPAC Alkuri Acquisition Corporation which was announced in June.

Babylon is a leading digital-first, value-based care operator which we first partnered with during 2016. We will invest \$5 million as part of the \$230 million private placement in connection with the merger, bringing our ownership to 13% when the transaction is finalised later this year. Babylon is now well capitalised to continue its expansion, with strategic focus on its continued rollout in the US, a key market for the company.

Our investment in Babylon was based on our conviction in the opportunities of value-based meeting virtual care, and that is the success we want to replicate in other areas in the sector. This is where innovation and product development continues at a very rapid speed.

Parsley Health

In the quarter, we added a new, exciting company to our portfolio that is riding on the need for even more personalised speciality care – Parsley Health. Parsley is America's largest holistic medical practice servicing women with chronic conditions, a notoriously under-

invested area of healthcare. The company was founded in 2016 by Dr Robin Berzin, a medical doctor and Columbia-trained physician, digital health expert and leader in holistic medicine.

We have looked at the companies in the women's health space for several years, and we are very excited to welcome Parsley to the Kinnevik family. With its holistic approach, Parsley treats the root cause of health issues and comorbidities that traditional healthcare providers tend to overlook, with significant improvements in quality of life for its patients.

Parsley is the only medical service that prescribes nutrition, mental health practices and lifestyle changes along with proactive diagnostic testing and medications. The care model lets patients engage with the same physician over time in a model that we believe shows the way into the future of virtual care.

If we then turn to page six, we will dive deeper into our Nordic investments.

Our Nordic Portfolio

The Nordics is our home base and have been ever since Kinnevik was founded in 1936. Since then, we have grown internationally but the Nordics remain extremely important. And since 2018, we have doubled down in the Nordic market with ten new investments, including Lunar, which was agreed after the close of the second quarter. With Lunar, we have in total invested more than SEK 4 billion into the region since 2018.

So why this focus on the Nordics?

Kinnevik is an ideal partner for Nordic founders who want to scale their businesses globally. The region is where our brand and network are the strongest. It is also a region where we see and enjoy a high level of innovation and creativity continuously giving birth to an impressive stream of new and exciting businesses. We have continued to build up on one of our core strengths – spotting new and complex technological and behavioural trends early on, and then backing the founders, teams and businesses that create, drive and leverage these trends.

The cohort of Nordic companies we invested in during 2018 – Pleo, Budbee, Karma, and Oda – is showing sector-leading IRRs of almost 80% at three years, even when taking in account of the substantial capital we have invested in follow-on since then. This is a testament to our successful strategy in the Nordics and our ability to replicate successes across different industries.

Pleo

In the quarter, Pleo raised \$150 million to support its growing customer base of over 17,000 companies, as well as the development of new features for its expense management platform. Kinnevik partnered with Pleo already in 2018. From those very early days, we saw immense potential in the business concept and the founding team of Jeppe and Niccolo, both serial fintech entrepreneurs with great success and expertise behind them.

With Pleo, they identified and challenged and developed an innovative digital solution that can be rolled out at scale across global markets. We are convinced that Pleo is emerging as a category winner in its field, helping growing established businesses to manage their corporate spending in a simplified and efficient way.

Budbee

We also see a very strong traction in Budbee, our next-generation, last-mile delivery company. And during the quarter, Budbee added another 345 merchants and aims to grow revenues to more than SEK 1 billion, more than 150% in 2021. The company continues its international expansion and has successfully launched in Belgium. To date, in 2021, Budbee has already delivered more parcels than they did in the full year of 2020.

Both Pleo and Budbee are founded and led by visionary leaders with a relentless focus on building for the long-term, and we are proud to be part of that journey.

If we now turn to page seven, we have some new additions to the Nordic portfolio in the quarter.

Adding more Nordic Winners*Lunar*

In the report this morning, we announced a \$49 million investment into Lunar. Many of you are probably already familiar with the name. Lunar is a digital challenger bank that offers a mobile-based banking app that helps consumers control their personal finances. It provides a range of financial services, including insurance, savings, budgets, loans and investments via mobile application. Our view is that Lunar is the only challenger bank competing to replace rather than complement the incumbents.

Our strong Nordic knowledge, relationships and portfolio give us a unique opportunity to take a long-term perspective and partner with Lunar as it embarks on a challenger journey that we have already taken in a wide variety of industries. The company will use the funds from the round to scale its operations in Sweden, and to develop additional products.

Superb

In the quarter, we also led a funding round for Danish company, Superb, the first all-in-one guest experience management platform for restaurants. Superb pioneered the segment in 2017, like a CRM category but built for the hospitality industry, when founder, Zaedo Musa, left Joe & The Juice, where he had started to appreciate how personal interactions was an important driver for growth.

While the hospitality sector, of course, was hard-hit during the pandemic, Superb has managed to grow 100% since the first lockdown last year, and they have also doubled their team. And their ambitions for this year remain high, aiming to add another 1,000 restaurants to its customer base.

Let us now move over to page eight, for Erika to go through the details of valuation changes and the NAV development.

Key Valuation Changes and Our Financial Position

Erika Soderberg Johnson

Chief Financial Officer, Kinnevik

Thank you, Georgi. In this presentation, we have focussed on healthcare and the Nordics, and that is also where we saw more material reassessments of our valuations this quarter.

The fair value of our unlisted growth assets was written up by SEK 3.8 billion, or 15%, in the quarter. This increase was primarily driven by Babylon, Pleo and Budbee. GFG traded up and contributed with more than SEK 1 billion to our net asset value, but this was offset by a negative share price development at Teladoc.

Tele2 remained stable, despite paying out SEK 1.1 billion in dividends. With close to SEK 700 million net invested, the total value of our growth portfolio amounted to more than SEK 50 billion at the end of the quarter.

And now, to focus on the key valuation changes.

Babylon

With the upcoming SPAC merger, our fair value of Babylon increased by 74% based on the agreed post-merger valuation of \$4.2 billion. Compared to our Q1 valuation on a 2021 basis, around one-third of the uplift is due to differences in revenue forecast, while the remaining two-thirds is due to contracting discount to peers.

Pleo

The largest percentage increase in value this quarter is that of Pleo, where we value the company in line with the \$1.7 billion valuation ascribed to it in the recent funding round. While the uplift is very steep, the valuation is in line with [inaudible] peers on a 2022 revenue basis, and the material change this quarter points to the difficulties in valuing fast-growing businesses in the current market. Pleo is on track to more than double in size during 2021.

VillageMD

The valuation of VillageMD increased by 8%, valuing the full company at \$11 billion, and our 9% stake in the company at SEK 7.9 billion.

We have expanded the forward-looking multiple by around 10% this quarter. And while the discount to the key peers is shrinking, it is still fairly material even though VillageMD is expected to grow significantly faster than peers, manifested in the trailing multiple contracting by around 15%.

Budbee

Our fair value of Budbee increased by 33% based on continuously strong performance as well as multiple expansion. The trading level of the last-mile logistics company InPost, points to a room for continued multiple expansion, as our valuation is at a significant 55% discount to InPost. We see potential to close this gap slightly over the coming quarters if the markets and Budbee continues to perform.

Let us turn to page nine.

NAV

Our net asset value amounted to SEK 76.2 billion at the end of June, or SEK 274 per share. As Georgi mentioned, this represents a net asset value increase of 11% in the quarter, including the increase in value on the Zalando investment up until it was distributed.

As you can see on this page, pro forma Zalando, the underlying performance is also solid, with a SEK 4.7 billion, or 7%, net asset value increase in the quarter. The Nasdaq traded up 11%, and the OMX traded up 3%, while our total shareholder return was 34% in the quarter.

Finally, with Friday's closing prices of our listed assets, our net asset value was SEK 76.4 billion, which is up 23% so far this year, excluding Zalando.

Now, please turn to page ten for an update on our financial position and capital allocation framework.

Capital Allocation: Ambitions and Actuals

During the quarter, we invested around SEK 700 million. Of this, two-thirds were invested into our existing businesses, with the largest follow-ons in the quarter being Pleo and Malta. The remaining third was invested in two new companies – Superb and Parsley Health – for a total of SEK 272 million.

With the SEK 563 million in extraordinary dividends from Tele2, this brings our net cash position at the end of the first quarter to SEK 4.3 billion, up from SEK 3.9 billion at the end of Q1. With our continued strong financial position, we have full flexibility to execute on our capital allocation plan and maintain our momentum.

As for capital allocation in 2021, as stated last quarter, we are looking to invest somewhere in between the capital put to work in 2019 and in 2020, which means a range between SEK 2.3-4.6 billion. By the end of June, we had invested SEK 1.7 billion. Including Lunar, which we announced today, the sum amounts to SEK 2.2 billion.

In relation to our ambition to add four to six new companies, we had already invested in three new companies in the first half of the year. And with Lunar, that figure is now four. [Inaudible] a bit[?] slightly, we end up the year in the higher end of that range.

With that, I would like to hand back over to Georgi for some closing remarks.

Closing Remarks

Georgi Ganev

Chief Executive Officer, Kinnevik

Thank you, Erika. As a final comment, we have seen the tremendous acceleration in the shift to digital since the outbreak of the pandemic. And while we believe that this technological and behavioural shift to a large extent is a permanent one, as we head into the summer, I hope that we will all be able to gradually return to a more normal, sociable and enjoyable life.

We are now ready to answer your questions.

Q&A

Joachim Gunell (DNB Markets): Thank you. Good morning. As your brand grows stronger with recent investment successes, can you say anything [inaudible] or provide any examples of how this has provided you a suitable[?] [inaudible] to source the best new deal flow across your target sectors here? And also, you talked about some business models you find more lucrative in conducting with the last conference call here, but in which business models and target sectors do you see the most potent[?] investment opportunities right now, on the backdrop that you mention here, that European valuation levels are catching up with US?

Georgi Ganev: Thank you, Joachim. I think we have two good examples of that. One, is Parsley Health, and the other is Lunar. As we all know, and what we also say in this report, we have generated a lot of value within the healthcare portfolio since we entered it. And we feel that that success for entrepreneurs, for co-investors and of course for Kinnevik has created a lot of momentum for us. And looking at a company like Parsley Health, I think we have the ability to go in a little bit earlier, even though it is the US, because we know people in the sector – advisers, former employees, and so forth – and we can cross-reference and triangulate, if you will, companies like that.

On the other hand, those type of businesses founded by long-term entrepreneurs, founders that want to build something for the long-term, have seen how Kinnevik have backed companies for the long-term and, of course, that is also attractive. I think that is one example.

Lunar is the other one. We have now a very strong cohort, as we also said earlier in this call. Of course, being perhaps the ideal partner to scale Nordic businesses, we have become a partner that is on the top three list of founders to have on board.

Going to the other part of your questions, where we see great opportunities going forward, it might be a boring question and a boring answer, but it is a little bit what we said before. In our sectors today, like digital healthcare, like food, we see enormous opportunities over time. And as also said earlier, we will broaden our focus in these sectors and try to build on top of what we have already done.

In food, for instance, we are excited to look a little bit more into the upstream and see what we can find there. And on the healthcare sector, we would like to broaden our approach and actually build upon what we have learned so far.

Joachim Gunell: Thank you. And perhaps from a more strategic point of view, [inaudible] has credited your execution here in the past recent years, and then that has obviously generated a premium valuation to an unlisted portfolio which you are increasing and marked[?] up here. Despite the very solid cash position here that Erika alluded to and potential for extraordinary distributions from Tele2, does this more premium valuation present any opportunity for you to fuel your investment strategy even further?

Georgi Ganev: We invest for the long-term, as you know, Joachim. We look more at the behavioural changes and the technological shifts. We worry less about short-term valuations. And having that long-term approach, I think is the philosophy of Kinnevik. When we invest in something, we can go in for one, two, three decades to create big companies, so we are less focussed on the short-term volatility.

Having said that, of course, we are pleased to see that there is a strong sentiment around Kinnevik. And during the last 18 months, we have also disclosed new transactions, better performances across the board of our portfolio companies. And I think that, coupled with a higher exposure to these younger growth assets has resulted in this premium valuation. I think that is more of a sign that what we are doing is probably right. However, from an investment perspective and philosophy, it does not really change what we do.

Joachim Gunell: No, that is perfectly clear. However, can you talk a bit about the pros and cons? I know it is not fair to compare investment companies to one another, but we have

seen a trend here where good owners have gained recognition by the market, resulting in a premium valuation, and that has offered an opportunity to perhaps raise additional funds at the premium valuation. Could you perhaps talk a bit about, from a fundraising perspective, what are the pros and cons for Kinnevik?

Georgi Ganev: It is an obvious, only a pro, not a con, if you want to raise capital. However, right now, we are in a strong financial position. We think that we have all of the opportunities we need to have. However, of course, it allows us to have further flexibility, if that is an answer to your question.

Joachim Gunell: It is. Thank you very much.

Georgi Ganev: Thank you.

Philip Middleton (Bank of America): Thank you to all for that presentation. I wondered if you could just look quickly at Lunar a bit more. Because in the past, you seemed to be moving away from the B2C type models in this area, and more towards the enabling technology, whereas Lunar sounds a pure B2C type operation. Maybe you could talk a little bit about what attracted you to Lunar? And also, if it is genuinely going to have lending as part of its business – we understand why you would want to do that, but if you can have lending as part of your business, does this mean it will be slightly more capital intensive than a lot of the fintech investments you have made, and is that something that you are comfortable with?

Georgi Ganev: Thank you very much for the question. Regarding our strategy around FS, you are absolutely right, we focus a lot on the enabling businesses or B2B2C players. In Lunar, we, however, see an extraordinary founder and team that has created a tech-led platform and they are focussing on the Nordics, which we find very attractive. Instead of trying to spread themselves thin on multiple markets, they are building deep integration in the Nordics and therefore, we also believe that they have a unique opportunity to actually challenge the incumbents.

We are also familiar, of course, with the Nordic region, since this is our home market. And further on, we have followed the company for many years now and we know the founder well. Thirdly, we are also partnering in this investment with a strong investor when we co-lead this investment; that is Heartland. Behind Heartland, there is person that we know well from other investments. Thus, there are many reasons for us doing this investment and why we are very excited about this opportunity.

When it comes to the lending piece specifically, this is not something we are not worried about. We believe that Lunar has a great platform, once again, and we believe that they can scale into different kind of verticals, add new product features that will just make their product offering stronger. And I think it requires, in order to actually be that replacement bank, the true challenger bank instead of just a complement, so we are fully supportive of that strategy.

Philip Middleton: Okay, thanks. That is very helpful.

Nizla Naizer (Deutsche Bank): Great, thank you. I have two questions. Firstly, in your portfolio, you have e-commerce companies that showed really good growth last year because that demand grew organically on the back of the pandemic. Most markets are now on the

path of normalising. And my question is, are you continuing to see strong growth in those e-commerce or consumer-facing companies that you have in your portfolio? In other words, are the structural winners that we saw accelerate last year, continuing to win even as markets normalise? Some colour there would be great.

And secondly, just some colour on how your travel-exposed investments are doing. Are we seeing some return to normalcy there? Some colour there would be great. Thank you.

Georgi Ganev: Thank you, Nizla. On the first question, we definitely continue to see strong growth; while markets open up, countries open up. Of course, we do not expect the same acceleration of growth as we saw during 2020 and the beginning of 2021, but we believe these consumer trends will be long-lasting and here to stay, so we are actually seeing growth from a much higher level of penetration. Right now, we still see growth. We will expect to see growth going forward as well in the end of 2021 and 2022, but the speed and acceleration will maybe slow down somewhat as the markets open up.

When it comes to the travel companies, of course, they are exposed to the lockdowns. And although we see some uptake in these companies right now, compared to the months pre-pandemic, they are still way back of that growth we had in the past. However, our thesis around this is that we have invested in two pure digital players within the travel space, so even if the market, the addressable market will shrink somewhat, there is enormous potential for these companies to grow over a long period of time, as the shift will continue from physical to online channels. I think they are very well placed to actually continue their growth journeys as the markets will be opening up again.

Nizla Naizer: Great, thank you very much.

Georgi Ganev: Thank you very much then for listening in, and for your questions. And as a last reminder, we will report the results for the third quarter of 2021 on 20th October 2021. Until then, stay safe and I wish you all a great summer.

[END OF TRANSCRIPT]