

Sofina Newsletter #13

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Sofina Newsletter #13 | 22 January 2024



Foreword

FINDING VALUE AND OPPORTUNITY IN VOLATILITY

Sofina's investment activity over the past six months and the preliminary valuation update of our direct portfolio demonstrate that diversification provides stability in times of volatility. The present moment is one of geopolitical fragmentation, low carbon-transition, ageing populations and AI-accelerated transformation. At the same time, the economy faces higher interest rates and slower growth. There is risk in this uncertainty, but also opportunity. As an investor, we focus on these trends and how they are served by innovation. More than ever, we want to be proactive and deliberate to invest, to value, and to adjust and adapt, within our existing strategy of partnering with the best investors, sourcing the most promising candidates for growth, and finding value through long-term minority positions, with purpose and patience.

At the close of 2023, our preliminary unaudited Net Asset Value ("NAV") is estimated at EUR 9.0 billion. This figure is based on the year-end valuation for Sofina Direct and the Q3 valuation reports

for Sofina Private Funds. Final figures will be published in our Annual report 2023 at the end of March, and will provide a more complete view of how the portfolio performed this past year.

Our main focus, as in the first half of the year, remained on supporting portfolio companies with both advice and capital where needed. But we were also on the lookout for the right businesses, with valuations that reflect the current investment climate, additive to our portfolio from thematic and sustainability standpoints.

The main new investment we made is in EG A/S, alongside Francisco Partners, a specialised software investor with whom we have partnered since many years. Sofina led the EUR 400m fundraising with LGT. EG is a market-leading supplier of industry-specific software based in Denmark. It is our largest software investment so far, and our first in the Nordics. EG's vision is to build the vertical software leader in Scandinavia through a mix of organic growth and acquisitions of business-critical software companies. The transaction is waiting regulatory approval to close.

Two other investments are worth highlighting, as they fit a new theme being explored by our investment team - Sustainable Supply Chains - and show how we can capitalise on the vast throng of expertise and connections in our portfolio and our network:

- The first is in Biobest, a global leader in biological crop protection and nutrition, having a positive impact on biodiversity, CO₂ emissions and human health in the agri value chain. We participated in a new capital raise, enabling a transformative deal in Brazil to expand its product portfolio to biopesticides in open field crops.
- The second investment aims at supporting the electrification of mobility in Europe, a key driver in the energy transition. GEO, Green E Origin, focuses on manufacturing electrolyte and upstream raw materials going into lithium-ion batteries which are a core component of electric vehicles. This greenfield project leverages expertise from China, and international capital, to create a European actor with global ambition: an example of the breadth and depth of Sofina's network. The construction of the first factory in Czech Republic has started and commercial contracts are expected by the end of the year.

Both of these investments fill a white space in our current sector coverage of digital, consumer, healthcare and education, in the upstream part of the value chain of goods and services. With this focus, we would be looking at companies whose products help improve energy efficiency, better conserve resources and protect the environment. This could cover such areas as sustainable fuels, low carbon building materials, sustainable agriculture, waste management, electrified transport and sustainable packaging among others.

While we are ready to seize growth, we were also able to harvest. We benefited for a part of our stake from the successful IPO of personal care online retailer Mamaearth in India. Similarly, we fully exited Colruyt, a company where our first investment dates back to 1976. It has been a source of pride, and economic success, to be part of Colruyt's growth story from upstart, to challenger, to the leading food retailer in Belgium and one whose strategy and company culture remain an unmatched example in European business. This coincided with the departure of François Gillet (Board member of Colruyt 1996 - 2020) and member of our Executive Committee. François retired at the end of December, and we are grateful to him for his many contributions throughout the past 35 years.

Volatile and intense times also require a lot of stakeholder engagement. For the first time, we brought our portfolio CEOs together in London for a networking event, alongside global funds partners in the evening. It was a chance to see our flywheel in action, from early-stage ventures, over

maturing growth companies to our long-term minority shareholdings.

This was a great opportunity to listen, to learn and to share, in line with our philosophy of growing together. More than ever in this uncertain environment, we remain fully focused on our mission and the pursuit of sustainable value creation.



Harold Boël
Chief Executive Officer

Key indicators ¹

Preliminary Net Asset Value – estimate at 31 December 2023 ²

	31/12/2023	30/06/2023
Net Asset Value (in billion EUR)	9.0	9.2
Net Asset Value per share (in EUR) ³	272	277
Loan-to-value in transparency (in %)	-2.2%	-1.4%

Balance sheet in transparency ² at 31 December 2023

(in billion EUR)	31/12/2023	30/06/2023
Investment portfolio	8.9	9.1
Sofina Direct	4.7	4.8
<i>Long-term minority investments</i>	2.8	2.8

<i>Sofina Growth</i>	1.9	2.0
Sofina Private Funds	4.2	4.2
Net cash	0.2	0.1
Gross cash	0.9	0.8
Financial debts	-0.7	-0.7
Other	-0.1	0.0
NAV	9.0	9.2

At 31 December 2023, Sofina had revolving **credit facilities** available for a total amount of EUR 1,125 million. Sofina is entitled to draw under the majority of these credit facilities for a maximum rolling period of 12 months per credit line. These credit facilities are all fully undrawn at the date of this Newsletter.

Transactions on own shares

At 31 December 2023, Sofina held 1,052,928 treasury shares. During the past half-year, Sofina launched a share buyback programme intended to partly cover the stock options plans issued for the benefit of the personnel of the company and its subsidiaries and acquired in this framework 100,000 shares. Sofina also divested a total of 6,500 shares during the past half year as a result of the exercises of stock options. More information is available on [our website](#).

Diversified investment portfolio

	SOFINA DIRECT 79 portfolio companies	SOFINA PRIVATE FUNDS 536 funds
Long-term minority investments	Sofina Growth - Investments in fast-growing businesses	Sofina Private Funds - Investments in venture and growth capital funds



32% of the portfolio in
transparency²



21% of the portfolio in
transparency²



47% of the portfolio in
transparency²

The top 10 investments of Sofina Direct represent 27% of Sofina's portfolio in transparency⁴

1. LERNEN MIDCO 1 (COGNITA)

2. SC CHINA CO-INVESTMENT 2016-A (BYTEDANCE)

3. GROUPE PETIT FORESTIER

4. DRYLOCK TECHNOLOGIES

5. NUXE INTERNATIONAL

6. BIOMÉRIEUX

7. CAMBRIDGE ASSOCIATES

8. BIOBEST GROUP

9. MÉRIEUX NUTRSCIENCES

10. SALTO SYSTEMS

- The 5 largest investments of Sofina Direct represent more than **15% but less than 20% of the portfolio in transparency** whereas the 7 largest investments within Sofina Direct **represent more than 20% of the portfolio in transparency**.
- **ByteDance**, a global internet and technology company active in more than 150 countries, is the sole holding **representing more than 5% of the fair value of the portfolio in transparency** (when taking into account our combined holdings through Sofina Direct and Sofina Private Funds).⁵

- ¹ For a definition of the different terms, please refer to the glossary of our [Annual report 2022](#).
- ² Rounded amounts, considering the portfolio in transparency at 31 December 2023, based on preliminary and unaudited figures and following the methodology used for the valuation (see the Explanatory notes). The amounts on 30 June 2023 are final (unaudited) figures.
- ³ Calculation based on the number of outstanding shares at the closing date: 33,197,072 shares outstanding at 31 December 2023 and 33,290,572 shares outstanding at 30 June 2023.
- ⁴ Largest investments in terms of representation in the fair value of the portfolio in transparency. Listed in decreasing order of fair value at 31 December 2023 (portfolio in transparency) and based on preliminary and unaudited figures and following the valuation principles set out below in the Explanatory notes. The ranking of our Sofina Direct investments does not take into consideration indirect holdings in these entities through certain partnerships of Sofina Private Funds. For Biobest Group (8): consisting of the fair value in transparency of Biobest and MxBEE.
- ⁵ Sofina values its holding in SC China Co-Investment 2016-A on the basis of the market multiples valuation method with an illiquidity discount. Its holding in ByteDance at Sofina Private Funds level is valued on the basis of the information contained in the reports of the General Partners made available to us at the date of this Newsletter.
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Investment activity

Sofina Direct – Recent trends and investment activity

In the **Consumer and retail** sector, entrepreneurs are progressing on their journey to improve unit economics and are growing in a more capital efficient way.

Consumer confidence is still low. We continue to witness a shift towards affordability and affordable luxury as a response to the inflationary environment. In this macro context, we are sourcing deals that fit with our theme of "Affordability". Currently, two strong performers in our Consumer and retail portfolio (Vinted, Too Good To Go) are both at the crossroad of affordability and sustainability. We will keep putting an emphasis on the latter. We remain long digitisation of consumer products and services and are still sourcing deals with companies that have e-commerce as a distribution channel, as well as companies offering e-commerce enablement tools or digital services and experiences.

We expect consolidation activity to remain high in several consumer verticals with economies of scale and rigorous competition as highlighted by the recent events in the e-grocery, micromobility, and Amazon FBA aggregator spaces. We are working with portfolio companies such as Rohlik, Dott, and SellerX to play a leading role in those consolidation dynamics.

Contrary to other markets, consumer sentiment in India remains high. Rounds for capital efficient companies that are close to profitability are largely oversubscribed. We continue to benefit from an access advantage in those situations thanks to our local network and long-term relationships, and are monitoring the space, looking for quality assets in this segment.

For investors in **Healthcare and life sciences**, 2023 was a challenging and yet transformative year. Digital health has continued to be confronted with decreasing funding and lower activity ever since 2021, while the intersection of AI and life sciences is attracting increasing (investor) interest. We expect the significant innovation potential in this segment to continue to materialise in the year ahead. In this context, we are looking for investment opportunities that will benefit from this innovation and contribute to better health outcomes, while continuing to support our portfolio companies.

In the **Digital transformation** sector, technology companies have continued to drive market performances, particularly those that have been able to maintain robust economics or that are riding the AI wave. Private market transactions have picked up around the end of 2023 and going into 2024 with more sensible valuations, creating an attractive investment environment. In that context, as mentioned, Sofina committed to a large investment in Danish industry-specific software company EG A/S, which we expect to close in the next few weeks.

The sector team continues to review opportunities in segments that should benefit from the current trends, such as cybersecurity, data management, and financial technology.

In the **Education** sector, transaction activity in the edtech sector has further corrected in the year (global edtech VC funding at ~USD 3.5 billion in 2023, -70% since 2022 which was already -50% from the 2021 peak), although listed edtechs performed better in the year (median +15% LTM share price performance for US edtech and +25% for international edtech). It is expected that generative AI will be incorporated into the next wave of edtech companies, and that it could materially change the learning experience and/or enhance productivity of educators. This is a lens we have employed in our sourcing activities. In the offline space, transaction activity – particularly in K12 schooling – continues to thrive, both by way of consolidation activity by large school groups and minority transactions at their holding companies. We continue to look at opportunities in adjacent spaces such as offline vocational and higher education.

The main **Sofina Direct** investments during the past six months include:

- **Long-term minority investments** – As mentioned in the foreword, Sofina further increased its existing holding in **Biobest**, a global leader in biological crop protection, nutrition and natural pollination, through the subscription to additional shares, and completed the sale of its entire stake in **Colruyt** in January 2024. We committed to a large investment in Danish software company **EG**, which will close in the next few weeks. Despite active engagement from investors including Sofina, the company **Byju's** made little progress on institutionalising its governance. The current situation calls for additional prudence in the valuation of our investment which has been further marked down. The investment's weight is now immaterial in regards to our total NAV.
- **Sofina Growth** – As announced in our Half-year report 2023, Sofina increased its holding in two existing companies, **K12 Techno Services** and **Vinted**, which transactions closed in July and August 2023 respectively, and divested a portion of its stake in **Groupe Petit Forestier**. Since then, Sofina increased its holdings in two other existing portfolio companies active in the Healthcare and life sciences sector, **Twin Health** and **Vizgen**, and further invested in **Mistral AI**, a European start-up with a global focus, specialising in generative artificial intelligence, in which Sofina had first invested in June 2023.

Two new companies were added to Sofina Growth's portfolio. As mentioned above, Sofina made a first investment in **GEO**, a European company active in the electrolyte manufacturing aiming to serve the local Li-ion battery market for, among others, electric vehicles. Sofina invested in **Laifen**, a leading Chinese consumer brand and OEM of small household appliances.

Since the publication of its Half-year report 2023, Sofina sold its entire stake in **Tessian**, a cloud email security platform. **Mamaearth**, a digital first personal and baby care-focused retailer, successfully completed its IPO in November 2023, listing on the Indian National Stock Exchange and on the Bombay Stock Exchange and we sold part of our shares on this

occasion. In the past six months, Sofina also saw its indirect stake in the leading women's apparel company in India, **TCNS**, partially divested, while additional parts of its indirect stakes in **Lenskart** and **Aohua** have been further divested.

Sofina Private Funds – Recent trends and portfolio update

The year 2023 witnessed a continued deceleration across all dimensions in the private markets: diminished commitments to new funds, reduced capital deployment in new investments, and lower distributions to limited partners. Combined deal activity reached the lowest levels observed since 2017. Despite a few high-profile venture-backed IPOs in 2023, exit opportunities remain subdued. However, underlying portfolio companies persist in their growth trajectory, whilst the relentless pace of innovation shows no signs of abating. Pockets of growth and investor enthusiasm endure, with generative AI emerging as the most conspicuous focal point.

Sofina Private Funds activity has demonstrated its resilience amidst the prevailing market slowdown. Thanks to our mature portfolio and disciplined managers, capital calls remained largely in line with distributions, with limited to no cash consumption. Sofina remains disciplined in its commitment approach, maintaining a stable pace across vintages and supporting its portfolio funds managers in a difficult fundraising environment.

Community

Networking event in London

End of November, we brought the founders and CEOs from our portfolio companies together for a day of sharing and learning from each other on how to navigate the current economic climate and how we find value and growth together. In the evening, we hosted a dinner at the National Portrait Gallery to which we also invited our funds General Partners. The day was combined with a portfolio review offsite for our investment team.

As in the past, members of our Executive Committee and investment teams spoke at several events and roundtables, including Yaka!, a start-up ecosystem event organized by L'Echo in Durbuy, Belgium, and the launch of a Level 20 chapter in Belgium, promoting private equity to young women as a career.



Building connections at the National Portrait Gallery - NPG



Sofina CEO Harold Boël in conversation with Jonathan Yeo, portrait artist and board member at NPG

Our team

At the end of the year, **François Gillet**, member of the Executive Committee, retired from Sofina. François had a stellar 35-year career with us and has been a trusted investor, board member and advisor to numerous companies in our portfolio, notably Colruyt, Luxempart – where he has become chairman of the board, and Groupe Petit Forestier. He was also a member of the management committee of the SofinaBoël Fund. Internally, many will miss his personal leadership and thoughtful guidance.



Sofina continued to strengthen its team across our three offices. We are pleased to welcome eight new colleagues, notably in the investment team and a dedicated ESG associate to reinforce our

internal muscle on sustainability, environment and social issues, advice our portfolio and be ready for increased reporting requirements (CSRD):



Ishan Ambardar | Investment Associate

- Based in Singapore
- Previously worked at Fireside Ventures, a consumer-focused venture capital fund in India, and at Bain & Company; Completed internships with The Boston Consulting Group and Kearney
- Graduated from Netaji Subhas University of Technology (formerly NSIT, Delhi University), with a Bachelor of Engineering in Computer Engineering



Apurva Rathi | Investment Associate

- Based in Brussels
- Previously worked at tech startups in India namely Darwinbox and InCred Finance
- Holds an MBA from HEC Paris, is a Chartered Accountant from Institute of Chartered Accountant of India (ICAI) and graduated with a Bachelor in Commerce from Mumbai University



Candice Wang | Associate Legal Counsel

- Based in Singapore
- Previously worked at both international and domestic law firms in China focusing on M&A and PEVC transactions
- Graduated from University of International Business and Economics (Bachelor of Economics) and University of Sydney (Master of Commerce, Specialisation in Business Law)



Chendan Yan | ESG Associate

- Based in Brussels
- Previously worked at European Climate Foundation in Brussels and World Resources Institute in Washington, DC
- Graduated from Yale University with a Masters in Environmental Management and College of Saint Benedict and St. John's University with a BA in Environmental Science and Philosophy



Théo Cuccia
Member of the Finance
team
Based in Luxembourg



Josephine Ching
Executive Assistant
Based in Singapore



Shiqi Zhang
Software Engineer
Based in Singapore



Gaëlle Simon
IT Operations Specialist
Based in Brussels

Four trainees joined the investment and finance teams in Brussels and Luxembourg during this semester.

Financial calendar

28 March 2024	8 May 2024	22 July 2024	5 September 2024	January 2025
Annual report 2023	Annual General Meeting	<i>Sofina Newsletter</i> #14	Half-year report 2024	<i>Sofina Newsletter</i> #15

Latest publications

- [Half-year report 2023](#)
- Presentation of the half-year results 2023 – [slides](#) and [voice over](#)
- [Investor NDR presentation – December 2023](#)

Explanatory notes

Investment Entity: Since 1 January 2018, Sofina has adopted the status of investment entity in accordance with IFRS 10. From then, its Net Asset Value is equal to the fair value of its portfolio companies, direct subsidiaries and their portfolio companies and other assets and liabilities.

Portfolio in transparency: Sofina SA manages its portfolio on the basis of the total investments held either directly or through investment subsidiaries. When preparing the financial statements as an Investment Entity, the fair value of its direct investments (in portfolio investments or in investment subsidiaries) is recognised as an asset in the balance sheet. By contrast, segment management information (based on internal reporting) is prepared on the entire portfolio in transparency (i.e. on all portfolio investments whether held by Sofina SA directly or indirectly through its investment subsidiaries), and thus on the basis of the total fair value of each investment ultimately held. The presentation of dividends or cash follows the same logic.

Methodology used for the estimate of the NAV and the portfolio in transparency: The estimate given above is preliminary and unaudited, calculated on the basis of the information available at the date of this Newsletter. This estimated NAV may well differ from the NAV that will be published in our Annual report 2023 on 28 March 2024, after finalisation of the full valuation exercise. The current valuation exercise followed the same principles and the same rigour that were applied for previous valuation exercises.

Our investments that are part of Sofina Direct are valued using a number of methods whose choice depends on the nature and maturity of the business concerned and the availability of comparable data. The most common methods are Discounted Cash Flow, multiples of selected metrics using the valuation of comparable listed companies, and valuations of recent investments, when relevant. Please refer to our [Half-year report 2023](#) (p.33 and ff.) for more details.

Variation of our NAV at 31 December 2023 that will be published in our Annual report 2023 versus the estimated and unaudited NAV published in this Newsletter will come mostly from the Sofina Private Funds investment style. In the estimate published in this Newsletter, we used the Q3 2023 reports (received from our General Partners, corrected for capital calls and distributions, with listed assets taken at their stock market value at 31 December 2023, and using the exchange rates of the closing date). It is important to note that this estimated NAV therefore does not take into account the evolution of the valuation of the unlisted assets within Sofina Private Funds during Q4 2023 that is unknown at this date. Currently, 98% of the Sofina Private Funds portfolio is valued based on Q3 2023 reports from General Partners (while 11% is based on the listed assets taken at their stock market value at 31 December 2023), meaning that for instance a 10% decrease in the valuation of the unlisted underlying assets held by the funds would represent a negative impact on the estimated NAV per share of EUR 11. Sofina Direct valuations are also subject to possible material post-closing adjusting events until approval of the accounts by the Board of Directors on 28 March 2024.

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We invite you to carefully read this Privacy Policy, which sets out in more detail in which context we are processing your personal data and explains your rights (including a right of access, rectification and objection to direct marketing as well as, in certain circumstances, a right of erasure, restriction of processing, data portability and a right to object to other forms of processing) and our obligations in that respect.

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