

## Foreword

### STAYING THE COURSE IN A CHALLENGING ENVIRONMENT

2022 was the year in which longstanding economic fundamentals were questioned: global supply chains were disrupted, availability of global labour became difficult and the war in Ukraine triggered a spike in food and energy prices. This brought an end to a long period of low inflation and compelled many central banks to reverse their accommodating monetary policy and raise interest rates.

For investors in general and Sofina in particular, this led to a sharp downward adjustment of equity valuations after years of rises, especially in the growth segment where Sofina is active. The negative impact of the challenging macro-economic climate in Europe and the US should not blind us to the fact that certain geographies, in particular India, enjoyed a happy convergence of having emerged from the worst of the pandemic while facing less exposure to the global economy. They continued on an accelerated path of internally-driven economic growth, while seizing the opportunity of supply chain relocations to offer alternative global manufacturing hubs.

Sofina's policy of committing capital in a balanced way across Europe, Asia and the US in a moment of contrasting economic fortunes of these economies provides our portfolio with a natural risk mitigation whilst retaining the ability to build on global growth opportunities. We feel this year has vindicated our diversification model.

At the close of 2022, Sofina's preliminary unaudited Net Asset Value ("NAV") is estimated at EUR 9.5 billion, down 16% compared to the previous year-end. This figure is based on the year-end valuation for Sofina Direct and the Q3 valuation reports for Sofina Private Funds<sup>1</sup>. Final figures to be published in our Annual report 2022 at the end of March 2023 will give a more comprehensive view of how the portfolio performed in 2022.

In the second half of 2022, investment pace slowed materially. Sofina's activity was focused on supporting portfolio companies with both advice and capital where needed. Exit opportunities were also explored and executed, a sign that our portfolio, even in difficult market conditions, retained the ability to generate liquidity. We remain on the lookout for the right businesses, with valuations that reflect the current investment climate while being additive to our portfolio from thematic and ESG standpoints.

ESG principles continued to inform our investment decisions. We discussed sustainability roadmaps with our portfolio companies. We strengthened our internal compliance, held company-wide Diversity and Inclusion trainings, and continued to be actively involved in our communities. These actions and our approach to ESG are detailed in the first edition of our [ESG brochure](#).

Sofina's share price suffered a correction during 2022 as the 28% premium to NAV at the end of 2021 shifted to a 28% discount at the end of 2022. The premium/discount to NAV is correlated to market sentiment and investors' risk appetite, which have shown volatility over the past two years. The volatility of the discount is difficult to control. The events of last year encourage us in our continuing efforts to enhance external reporting and communication

and to engage more with the investor community as we did during the past six months.

Providing investors with the level of information required to understand our portfolio and its evolution as well as the challenges and opportunities of our business model is an ongoing journey. After stepping up disclosure in our Half-year report 2022 and issuing it in English, this Newsletter follows the trend with additional information on our portfolio including the identification of ByteDance, the underlying asset of our investment in SC China Co-Investment 2016-A, whose valuation both through direct and indirect holdings represents more than 5% of our total portfolio in transparency.

We believe our positioning and our model will create sustainable value. Our team's efforts are concentrated on creating positive impact around us. In this uncertain period, humility and the readiness to learn from challenges are required, as is the agility to apply these learnings. Our values will continue to guide us as we strive to navigate the road with calm and composure.

Thank you.

<sup>1</sup> For further information on the methodology used for the valuation at the date of this Newsletter and the update that will be published in our Annual report, see below in the Explanatory notes. The share of Sofina Private Funds still subject to adjustments related to the receipt of Q4 valuation reports is currently valued at EUR 4.0 billion. This means that 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 12.



**Harold Boël**  
Chief Executive Officer

## Key figures <sup>2</sup>

### Preliminary Net Asset Value – estimate at 31 December 2022 <sup>3</sup>

	31/12/2022	31/12/2021
Net Asset Value (in EUR billion)	9.5	11.4
Net Asset Value per share (in EUR) <sup>4</sup>	284	338
Loan-to-value in transparency (in %)	-2.5%	-2.9%

### Balance sheet in transparency <sup>3</sup> at 31 December 2022

(in EUR billion)	31/12/2022	31/12/2021
Investment portfolio	9.3	11.1

Sofina Direct	4.8	5.8
<i>Long-term minority investments</i>	2.8	3.9
<i>Sofina Growth</i>	2.0	1.9
Sofina Private Funds	4.5	5.3
<b>Net cash</b>	<b>0.2</b>	<b>0.3</b>
Gross cash	0.9	1.0
Financial debts	-0.7	-0.7
<b>Other</b>	<b>0.0</b>	<b>0.0</b>
<b>NAV</b>	<b>9.5</b>	<b>11.4</b>

At 31 December 2022, Sofina had revolving **credit facilities** available for a total amount of EUR 925 million. Sofina is entitled to draw under 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.

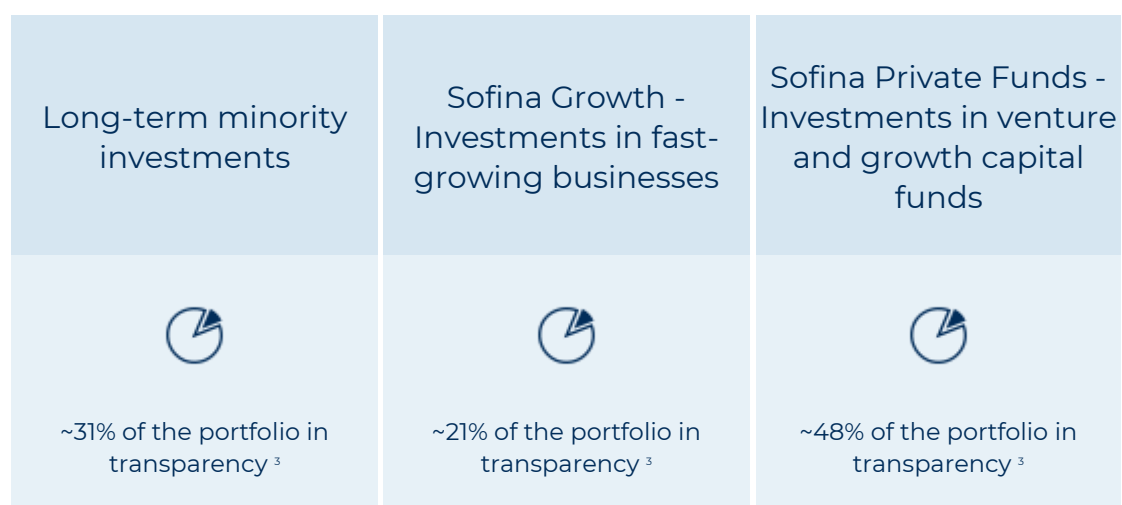
## Transactions on own shares

At 31 December 2022, Sofina held 917,928 treasury shares. During the past half-year, Sofina acquired 150,000 shares in the framework of the 2022 share buyback programme conducted in accordance with the safe harbour regime contained in the European Market Abuse Regulation. More information is available on [our website](#).

## Breakdown of the portfolio in transparency <sup>3</sup> by investment style

### SOFINA DIRECT

### SOFINA PRIVATE FUNDS



The 10 main investments within Sofina Direct represent 27% of Sofina's portfolio in transparency <sup>5</sup>

1.	GROUPE PETIT FORESTIER
2.	SC CHINA CO-INVESTMENT 2016-A (BYTEDANCE)
3.	COGNITA
4.	BYJU'S
5.	CAMBRIDGE ASSOCIATES
6.	BIOMÉRIEUX
7.	DRYLOCK TECHNOLOGIES
8.	NUXE
9.	VERSE INNOVATION
10.	MÉRIEUX NUTRISCIENCES

### Portfolio concentration at 31 December 2022

- the 6 largest investments within Sofina Direct represent **more than 15% but less than 20% of the portfolio in transparency**.<sup>5</sup>
- the 7 largest investments within Sofina Direct represent **more than 20% of the portfolio in transparency**.<sup>5</sup>
- **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).<sup>6</sup>

The company offers a portfolio of leading consumer apps including Douyin (short video platform in China), Toutiao (news aggregator and content discovery platform in China), Xigua Video (live streaming and video sharing platform in China), Lark (global digital collaboration product), and TikTok (short video platform outside of China). Initially focused on the Chinese market, where a large majority of its revenues are still generated, its international expansion was accelerated from 2018 after merging its nascent product TikTok with Musical.ly (acquired in 2017). ByteDance also operates a diverse set of products across six business units in areas such as enterprise software, gaming and education.

Sofina invested in ByteDance through a special purpose vehicle, SC China Co-Investment 2016-A, in 2016 (at Sofina Direct level). It is also exposed to the asset through several partnerships at Sofina Private Funds level.

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 valuation provided by the General Partners of the relevant funds.

More information on ByteDance is available on [our website](#).

<sup>2</sup>For a definition of the different terms, please refer to our Half-year report 2022.

<sup>3</sup>Rounded amounts, considering the portfolio in transparency at 31 December 2022, based on preliminary and unaudited figures and following the methodology used for the valuation (see the Explanatory notes).

<sup>4</sup>Calculation based on 33,332,072 shares outstanding at 31 December 2022 and 33,607,072 shares at 31 December 2021.

<sup>5</sup>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 2022 (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.

<sup>6</sup>The holding in ByteDance through Sofina Private Funds is an estimate based on 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

### Our investment styles

As announced in our Half-year report 2022, we combine **Long-term minority investments** and **Sofina Growth**, our two investment styles in which we invest directly or are involved through a syndication vehicle, under a common umbrella named **Sofina Direct**. This umbrella has a diverse portfolio that includes investments in a variety of sectors, business models and geographies at different stages of maturity. **Sofina Private Funds**, the alter ego of Sofina Direct, in which our involvement relies on building long-term partnerships with carefully selected external General Partners is complementary to Sofina Direct, allowing us to compound knowledge and networks in the growth and innovation ecosystems across sectors of focus and geographic regions.

### Sofina Direct – Recent investment activity

The **Education** sector has seen a rebalancing of activity from online to offline channels due to the gradual opening up of societies post-Covid. Companies with exposure across hybrid channels are optimising their focus areas and investments accordingly. The **Healthcare and life sciences** sector, being more resilient in nature, has continued to grow, while having to cope with the consequences of Covid-19, which has exacerbated staff shortages. Investors remain excited by the possibilities of omics (e.g., genomics, proteomics, transcriptomics), computational biology, and more generally tech-enabled healthcare services, despite the public market correction. Healthcare has actually seen the second largest venture fundraising year on record in 2022. The **Digital transformation** sector also held up well so far, despite fluctuations in valuation multiples. We are seeing signs of a slowdown in growth in software, as companies cut back on spending due to layoffs or to achieve cost savings. In that environment, companies with highly recurring revenue and strong economics continue to attract investors' interest. The **Consumer and retail** sector faced the strongest headwinds due to inflation putting pressure on disposable incomes and some mean reversion in consumer spending patterns following a reopening of societies (from hardgoods to travel and experiences, from online to offline). As a result, we are witnessing more consolidation activity than usual in many consumer verticals. Our diversification across sectors and geographic regions and our focus on sustainable growth and innovation have enabled us to weather the challenges caused by the current economic situation and to show resilience.

The main events at **Sofina Direct** level during the past six months include:

- **Long-term minority investments** – Sofina signed an agreement with Henri Schein, the world's largest provider of healthcare solutions to office-based dental and medical practitioners, for the sale of its stake in **Biotech Dental**, a European dentistry leader, offering exclusive digital products and services. The sale is subject to customary closing conditions and is expected to close in H1 2023. Sofina has been an investor in Biotech Dental since 2018.
- **Sofina Growth** – Sofina reinforced its investments in certain of its existing portfolio companies, such as **Carebridge**, **DeHaat**, **Dott**, **Gorillas** (merged into **Getir**), and **K12 Techno Services** through primary transactions and secondary purchases. Sofina also fully divested its stake in **HealthKart**, a manufacturer and distributor of sports nutrition and health supplements in India. Sofina invested in HealthKart in 2019.

## Sofina Private Funds – Recent trends and portfolio update

Private markets are in a transition period to adapt to the volatile market environment. Macroeconomic worries, high inflation, and rising interest rates have caused contractions of multiples. The cost of capital has increased, affecting the appetite for risk and valuations of high-growth assets. The pricing adjustment for technology companies in the public markets seems to have stabilised over the last months of 2022. Sofina Private Funds are exposed to private technology companies at different maturity stage. Early-stage investing has been more preserved from public market volatility than late-stage as companies are farther away from liquidity events. Besides, the underlying portfolio companies' quality and the secular themes' strength supporting their performance over an extended horizon should mitigate the trend.

As announced previously, Sofina sold a portion of non-core investments in funds through a secondary sale to focus its exposure on core venture and growth General Partners and crystallise performance. The transaction is fully closed at the date of this Newsletter. The NAV at 30 June 2022 already reflected the terms of this sale.

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### ESG activities

Sofina has the ambition of becoming an **SDG contributor**, as we believe that positive impact on communities and environments where businesses operate will be a growing driver of sustainable value creation.

In this framework and taking into account the results of the review of the ESG performance of the Sofina Direct portfolio companies carried out in 2021, the Investment team engaged with the management teams of certain of our portfolio companies on their ESG priorities and roadmaps during the past six months. This will allow Sofina to closely monitor the ESG performance of its portfolio companies on the basis of agreed milestones. At Sofina Private Funds level, we set up our own ESG framework to assess the ESG performance of our existing General Partners and to inform our decision-making on fund commitments. This exercise created a dialogue with our General Partners on ESG matters and allowed us to create traction with them.

We also recently announced the first issue of our [ESG brochure](#), a document that centralises and sets out our commitment to responsibly create lasting value as a long-term investor and details how our ESG approach is translated in our daily operations.

In line with our commitment to improve the diversity within our teams and pursue our efforts on inclusiveness, we held an interactive **Diversity and Inclusion workshop** to raise awareness on these themes. In the framework of our efforts to create a supportive work culture, we also held a **well-being week** in November.

Finally, we also organised a **team building event** in October during which all employees from our three offices spent time together and re-connected. This was the first full team offsite since Covid-19.



## Engaging with our communities

The second half of 2022 was a busy period in terms of local volunteering activities:

- A group of colleagues were at the Brussels Marathon to run and support **Farming For Climate**, an organisation that helps to accelerate the agroecological transition of farmers in Belgium;
- Sofina employees spent time at the **Environmental Observatory** in the south of Belgium to help preserve nature, **Les Arbres du Souvenir**, a Belgian non-profit organisation which primary mission is to soothe the bereaved through reconnection with the forest and its sacredness, **Cuistots solidaires**, which aims at feeding daily more than 350 refugees, **BeforUkraine**, a non-profit organisation which raises funds to send equipped ambulances to Ukraine where they are used as mini hospitals, and **KidSTART** in Singapore by delivering dry food packages to families in need;
- Sofina hosted **WAPA (War-Affected People's Association)** in its Brussels office during a two-days campaign.



To monitor the initiative and projects funded, the managing committee of the **Sofina Covid Solidarity Fund**, a EUR 20+ million fund launched to address the adverse consequences of the global Covid-19 pandemic in Healthcare and Education, launched an **independent impact analysis** to assess the concrete actions carried out by those projects.



## They recently joined Sofina

Sofina strengthened its teams in its three offices. We are pleased to welcome:



### Alvin Yong | Investment Associate

- Based in Singapore
- Previously worked at ABC Impact, with additional experience at Morgan Stanley and EY
- Graduated from the London School of Economics (BSc Mathematics, Statistics and Business)



### Charlie Keij | Financial Analyst

- Based in Brussels
- Previously interned at the investment banking division of Degroof Petercam and at the Baltisse family office
- Graduated from the Solvay Brussels School (SBS-EM ULB, advanced master's degree in financial markets) and from the Catholic University of Leuven (KUL, master's degree in accountancy, auditing and control).



### Robin Herion | Member of the Finance team

- Based in Luxembourg
- Previously trainee in the accounting department of a Swiss municipality
- Graduated from the Henallux of Namur and from the Haute Ecole de Gestion of Geneva (bachelor's degree in accountancy and management)

We were also pleased to welcome **four interns** in the Investment team and **one ESG intern** during the past semester.



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## Financial calendar

30 March 2023	4 May 2023	July 2023	5 September 2023	January 2024
Annual report 2022	Shareholders' Meeting	<i>Sofina</i> Newsletter #12	Half-year financial report 2023	<i>Sofina</i> Newsletter #13

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## Latest publications

- [Corporate brochure - Q2 2022](#)
  - [Half-year financial report 2022](#)
  - [Presentation of the 2022 half-year results](#)
  - [Analyst presentation - September 2022](#)
  - [Investor presentation - December 2022](#)
  - [ESG brochure - December 2022](#)
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## 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. In preparing the financial statements as an Investment Entity, the fair value of its direct investments (in portfolio investments or in investment subsidiaries) is capitalised. 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 therefore on the basis of the total fair value of each investment ultimately held. The presentation of dividends or cash follows the same principle.

**Methodology used for the estimate of the NAV and the portfolio in transparency:** The estimate of the NAV provided in this Newsletter 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 2022 on 30 March 2023, 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 2022 (p. 30 and ff.) for more details.

Variation of our NAV at 31 December 2022 that will be published in our Annual report 2022 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 2022 reports (received from our General Partners, corrected for capital calls and distributions, with listed assets taken at their stock market value at 31 December 2022, 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 2022 that is unknown at this date. Currently, 89% of the Sofina Private Funds portfolio representing 43% of the portfolio in transparency is valued based on Q3 2022 reports from General Partners (while 11% is based on the listed assets taken at their stock market value at 31 December 2022), 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 12. Sofina Direct valuations are also subject to possible material post-closing adjusting events until approval of the accounts by the Board of Directors on 30 March 2023.

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