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Sofina Newsletter #10 | July 25, 2022



Preface

INVESTING MORE THAN EVER, EFFICIENTLY AND PATIENTLY THROUGH THE CYCLES

We ended the year 2021 satisfied with the growth of our portfolio, but cautiously with a view to the coming period. Indeed, since the beginning of 2022, we have witnessed a period of volatility in global

equity markets, which saw the MSCI ACWI fall by 13.2% . Investors' appetites for growth stocks, and thus the valuation of those stocks (particularly in the technology sector), have been affected by economic uncertainties, fears of a recession, rising inflation and interest rates, even as these companies continue to grow and innovate. This is illustrated by the performance of technology-focused stock indices such as the NASDAQ Composite Index (down 29.5% over the past semester), highlighting the shift in industry sentiment regardless of company fundamentals (growth, profitability ...).

We are publishing today a preliminary, unaudited estimate of our Net Asset Value ("NAV") as at June 30, 2022, taking into account the evolution of our portfolio since December 31, 2021. The valuation of the portion of our portfolio that is invested in growth activities in our three investment styles has

portfolio companies has been reduced to reflect the decline in the valuation of comparable publicly traded companies and the increase in the cost of capital used to calculate discounted cash flow valuations.

As is customary for Sofina Private Funds and explained below, the NAV estimate reflects a valuation of the underlying companies of the funds listed on June 30, 2022, while the underlying companies of the unlisted funds are valued on March 31, 2022. Of these, the latter's valuation does not reflect market effects after the first quarter (March 31). Taking this into account, the preliminary estimate published in this Newsletter may differ from the final H1 NAV that will be published in our 2022 Half-Year Financial Report. Zoals vermeld op onze jaarlijkse algemene vergadering in mei, is de volatiliteit alarmerend.

Looking at our share price, we could also observe a decline in the premium/discount to NAV per share at which the stock is trading over the last six months. As such, while our stock traded at a 27.9% premium compared to its NAV per share as at December 31, 2021, it traded at a discount of 35.4% compared to the preliminary estimated NAV per share at 30. June 2022.

This evolution in the premium/discount to the NAV was probably also exacerbated by negative comments in the international press about Byju's, one of our portfolio companies. While as a minority shareholder we are unable to communicate on behalf of or on behalf of our portfolio companies, we note that Byju's had publicly responded to the allegations at the time. We continued to interact with the latter and fellow shareholders and the company was valued based on the information made available to us at this stage.

Purpose and patience will continue to serve as compasses more than ever. Our team's job is to partner with the best growth investors and build a diversified portfolio of great, sustainable companies, positioned in sectors that benefit from favorable changes in the economic model, that have a positive impact in the markets and communities in which they operate and are run by talented founders with a long-term perspective. Our belief is that ESG will be a catalyst for value creation and that this focus will enable us to help investors and founders identify opportunities and avoid risks in an increasingly complex world.

Echter, en zoals we vertrouwen dat u zult begrijpen wanneer u de breedte van ons model in overweging neemt, blijven we vertrouwen in ons vermogen om duurzame waarde te creëren, ook mogelijk gemaakt door de diversificatie van onze portefeuille over geografische gebieden, beleggingsstijlen, sectoren en vintages. Er is ook diversiteit in aantallen, met 60+ investeringen in onze langetermijnminderheids- en Sofina Growth-investeringsstijlen en onze top 10 investeringen vertegenwoordigen slechts c. 25% van de geschatte NAV. Meer details over deze diversificatie vindt u in deze Nieuwsbrief.

Tot slot zijn wij van mening dat de huidige omgeving ook aantrekkelijke investeringsmogelijkheden biedt, zowel binnen als buiten onze portefeuille. Zoals u zult lezen, zijn we blijven investeren in innovatieve bedrijven. Ons vermogen om deze kansen te grijpen en gedurende de hele cyclus prestaties te leveren, wordt ondersteund door onze permanente kapitaalbasis en financiële flexibiliteit.

Het is mijn overtuiging dat met het aanhoudende vertrouwen van onze aandeelhouders en de steun

Referentieperiode tussen 1 januari 2022 en 30 juni 2022.



Harold Boël
Chief Executive Officer

Financiële hoogtepunten

Methodologie gebruikt voor de schatting

The estimate given below 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 Half-year financial report on 6 September 2022, 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 in the Long-term minority and Sofina Growth investment styles are valued using a number of methods which choice depends on the nature and maturity of the business concerned and the availability of comparable data. The most common methods are Discounted Cash Flows, Multiple of selected metrics using the valuation of comparable quoted companies, and valuations of recent investments, when relevant. Please refer to our Annual report 2021 for more details.

Variation of our NAV as at 30 June 2022 that will be published in our Half-year financial report versus the estimated 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 Q1 reports (i.e. 31 March 2022 reports) received from our General Partners, corrected for capital calls and distributions, with quoted assets taken at their value as at 30 June 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 unquoted assets during Q2 that is unknown at this date¹. For instance, a 10% decrease in the valuation of the unquoted underlying assets held by the funds would represent a negative impact on the estimated NAV per share of €13.

¹ Except for the funds for which a purchase and sale agreement was signed as at 30 June 2022, which are valued at the terms of the sale (see below in the Investment activity section).

Net Asset Value – Estimate as at 30 June 2022

¹ Rounded amounts. For the Net Asset Value per share, the calculation is based on 33,479,972 shares outstanding on 30 June 2022. Since 1 January 2018, Sofina has adopted the status of investment entity in accordance with IFRS 10. As from then, its Net Asset Value, also referred to as shareholders' equity, is equal to the fair value of its portfolio companies, direct subsidiaries and their portfolio companies and other assets and liabilities.

Three complementary investment styles

As at 30 June 2022, our three investment styles can be broken down as follows:



** Considering the portfolio in transparency as at 30 June 2022, based on preliminary and unaudited figures and following the valuation principles set out above.*

Balance sheet items as at 30 June 2022



As at 30 June 2022, Sofina had revolving **credit facilities** available for a total amount of €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 as at the date of this Newsletter.

Transactions on own shares

As at 30 June 2022, Sofina held 770,028 treasury shares. During the past semester, Sofina acquired a total of 146,550 shares and divested a total of 19,450 shares. More information is available [here](#) for the disposal of own shares and [here](#) for the share buybacks.

Investment activity

Four levels of diversification

Our portfolio benefits from multiple levels of diversification. It is diversified across geographies, between the US, Asia (mainly India and China) and Europe. Further diversification happens also across our three complementary investment styles (from early stage companies in our Sofina Private Funds portfolio, to growth investments and mature companies in the Sofina Growth and Long-term minority investments portfolios) and sectors. Lastly, our investments are diversified across vintages, in other words, our shareholders' equity is not committed at once, but across time in a regular way.

Evolution of the portfolio

In the present environment, our portfolio is showing resilience. While some companies are exposed to the headwinds in the economy, for instance, in the Consumer and retail sector, the effect of inflation on discretionary spend or a rebalancing between offline and online spend, the gradual re-opening of societies had, on the other hand, a positive impact on the Education sector. Healthcare and Digital transformation dynamics have remained stable. In general, the diversification of the portfolio and our focus on sustainable growth and innovation have been drivers of resilience.

1. Long term minority investments

As mentioned in our Annual report 2021, Sofina invested in **Biobest**, a global leader in biological crop protection and natural pollination and closed the sale of its stake in **Hillebrand** during the first six months of the year. Sofina subsequently reinforced its exposure in **Biobest** through a secondary transaction later during the past semester.

2. Sofina Private Funds - Investments in venture and growth capital funds

The first half of 2022 saw VC activity remain relatively strong, despite market tumult. Seed stage investing remained the most robust, while late-stage and technology-growth investing slowed down

horizon.

In line with its strategic objectives, Sofina reached an agreement to exit a portion of non-core investments in funds through a secondary sale to focus its exposure on core venture and growth managers and crystallise performance. The transaction has been signed at the end of the past semester and concerns less than 6% of the Sofina Private Funds portfolio, mostly in our LBO and secondary strategies. As indicated above, the NAV estimate reflects the terms of this sale. We expect this transaction to close in the second half of this year.

3. Sofina Growth - Investments in fast-growing businesses

During the last six months, Sofina continued to leverage its network and invested across its geographies and focus sectors as follows:

- In Europe, six new investments were completed, being **Birdie**, a UK company that developed an all-in-one homecare software which connects health practitioners, care communities, patients, and their relatives to ensure the best care outcomes, **Cleo**, a UK company that developed an app that supercharges the financial health of young generations, **CoachHub**, a German B2B online platform designed to provide personalised business coaching globally for large enterprises and mid-market companies, **Labster**, a company established in Denmark that developed the world's leading platform for virtual labs and science simulations, **Typeform**, a Spanish company which developed a cloud-based web application designed to offer engaging and conversational online forms, and finally **Rohlik**, a Czech Republic based technology leader in e-grocery with a focus on convenience, assortment and local sourcing.

More recently, we also invested in **Everdrop**, a German-based eco-friendly household product and personal care brand, with the ambition to make a sustainable lifestyle accessible through the products that touch our lives every day.

- Outside Europe, Sofina Growth invested in **Skillmatics**, an Indian company building a global direct-to-consumer education brand for affordably priced physical and digital learning games that help kids aged 1-12 years to develop various skills through play, and in **Vizgen**, a US life science company dedicated to improving human health by visualising single-cell spatial genomics information.

Sofina Growth also further increased its stake through primary transactions and secondary purchases in its existing portfolio companies, such as **Cred**, **FORMA**, **Mamaearth**, **MedGenome**, **VerSe Innovation** and **Vinted**.

On the divestment side, Sofina closed the second tranche of the partial sale of its stake in **Pine Labs** initiated in late 2021 and fully divested its holdings in **Missfresh**, an e-commerce platform offering fresh groceries in China, where Sofina had been an investor since 2018.

positive impact on communities and environments where businesses operate will be more and more the driver of sustainable value creation. Against this backdrop and taking into account the outcome of the **ESG performance review of its portfolio companies** (Long-term minority investments and Sofina Growth), Sofina's investment teams are engaging with management teams on their ESG priorities and roadmaps.

A number of investments made recently have a strong ESG component to them, such as **Cleo**, **Everdrop** and **Skillmatics**, to name just these. In the cohort, Sofina was also very pleased to welcome its first BCorp¹ company, **Birdie**, in its portfolio.

¹ www.bcorporation.net

Engaging with our communities



Sofina supported BEforUkraine, a non-profit association which raises funds in Belgium to procure ambulances, refurbish and equip them with medicines and medical equipment and then send them to Ukraine where they are used as mobile mini-hospitals. Sofina employees, with partial matching from the company, financed the purchase of two ambulances and their equipment. Four employees participated in the convoy that drove the ambulances to the Ukrainian border. Following this first delivery, two refrigerated trucks were also sent to Ukraine after having been refurbished with the sponsorship of Sofina, its family shareholders and Groupe Petit Forestier, a Sofina portfolio company.

Sofina also pursued its **matching gift programme** under which it matches donations made by employees to charities. The annual amount of the matching was increased from €500 to €1,000 in the context of the war in Ukraine and its **local volunteering programme** allowing employees to organise team events or spend half a day per week doing voluntary work. We supported the Equilibres, les Cuistots solidaires, le Home Saint Joseph and the Ukrainian Embassy in Belgium and HUK in Luxembourg, in this framework.

To monitor the initiative and projects funded, the duration of the **Sofina Covid Solidarity Fund**, a €20+ million fund launched to address the adverse consequences of the global Covid-19 pandemic in Healthcare and Education has been extended by 18 months.



They recently joined Sofina



- Based in Brussels
- Previously intern at Sofina, with additional experience at Commerzbank and Adidas Vietnam
- Graduated from Bocconi University (MSc Politics & Policy Analysis) and Maastricht University (BSc International Business)

We also welcomed **seven trainees** in the investment and finance teams across our three offices during this semester.

Annual General Meeting

We were pleased to host our Annual General Meeting at our registered office on 5 May 2022. Shareholders could also attend remotely through a webcast. During this meeting, the mandates of Harold Boël and Michèle Sioen were renewed. Questions from shareholders were also answered during the meeting. The video recording of the AGM and the minutes of this meeting are available [here](#).

Financial calendar

6 September 2022	January 2023	30 March 2023	4 May 2023	July 2023
Half-year financial report 2022	<i>Sofina</i> Newsletter #11	Annual report 2022	Annual General Meeting of Shareholders	<i>Sofina</i> Newsletter #12

Latest publications

- [Annual report 2021](#)
- [Analyst presentation April 2022](#)
- [Recording of the annual results 2021](#)
- [Recording and minutes of the AGM held on 5 May 2022](#)



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