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Sofina Newsletter #14 | 23 July 2024

SOFINA

Purpose & Patience

Sofina Newsletter #14

Foreword

Improved momentum in sourcing growth

Summer is taking its time to arrive in Belgium, but over the past few months, rays of sunshine have been shining through for investors. While in the past two years we focused on looking for opportunities and working with our portfolio companies amid volatility and headwinds, in the first six months of 2024 we have seen renewed prospects to source growth, both within our portfolio and in new opportunities.

Our investment activity, value creation across our portfolio and our ability to generate liquid returns have been encouraging during the first half of this year. At the halfway point of 2024, our preliminary unaudited Net Asset Value (NAV) comes in at EUR 9.5 billion. This represents an increase of 4% on our NAV at end-2023 of EUR 9.1 billion. All investment styles are contributing to this result, meaning that it reflects a combination of operational performance at our largest portfolio companies, growth at a number of the scale-ups in which we invested, and a valuation rebound in Sofina Private Funds.

Of course, in today's uncertain environment, it's important to remain prudent. The volatility we saw in 2023, the inflation-driven

spike in interest rates and geopolitical uncertainty are still here, but the underlying dynamics in the markets are more positive. The confirmation of the return of “deal flow” - the opportunity to review, consider and decide investments, and divestments - is good news. We’ll need confirmation, but we see a pick-up in investments and divestments from 2022 lows. There is more confidence in the market, especially for good assets. That also means an opportunity to collect rewards from our strongest performers.

Yesterday's announcement of our investment to acquire a 4% stake in team.blue, the leading digital enabler for businesses and entrepreneurs across Europe, is a showcase of our strategy in action: identifying opportunities for minority investments in companies with strong long-term growth prospects. Our ability to be at the forefront of what is happening, and to invest in some of today’s leading, successful companies - new or established - is a reflection of the quality of our team’s extensive network of relationships. We will be shareholders alongside Hg, a leading investor in European and transatlantic software and services businesses, as well as founder and president Jonas Dhaenens, who remains a cornerstone investor, the wider management team led by CEO Claudio Corbetta, and CPP Investments, a leading global institutional investor.

During the past six months, we also made follow-on investments in BioFirst, Mistral AI, Dott, Vizgen and Rohlik. We monetised opportunities at companies like Polygone (GL events), Mamaearth, after its successful IPO, and ByteDance through share buybacks.

As referenced during our Annual General Meeting, a strong contributor to our results is the uplift in value at Groupe Petit Forestier. We signed the sale of our remaining stake in the group, at a valuation that has made it our largest individual holding in the portfolio. It still figures in our updated “Top 10” you will find below, pending closing of the transaction, which will bring in cash to fuel future investments.

These transactions are a great illustration of our fundamental approach: provide patient capital and supportive advice, helping our portfolio companies navigate through cycles.

Like in our direct investments, many of our Private Funds portfolio managers have increased their focus on the main themes of AI, and the further digitisation of nearly every industry, as well as health tech and technology applied to make our economies more

sustainable.

The whole Sofina Team and I remain grateful for the continuing support of our shareholders in this period of uncertainty, of challenges but also of innovation and opportunity.



Harold Boël
Chief Executive Officer

Key indicators ¹

Preliminary Net Asset Value – estimate at 30 June 2024 ²

	30/06/2024	31/12/2023
Net Asset Value (in billion EUR)	9.5	9.1
Net Asset Value per share (in EUR) ³	286	274
Loan-to-value in transparency (in %)	-0.1%	-2.2%

Balance sheet in transparency ² at 30 June 2024

(in billion EUR)	30/06/2024	31/12/2023
Investment portfolio	9.6	8.9
Sofina Direct	5.1	4.7
<i>Long-term minority investments</i>	<i>3.2</i>	<i>2.8</i>




<i>Sofina Growth</i>	<i>1.9</i>	<i>1.9</i>
Sofina Private Funds	4.5	4.2
Net cash	0.0	0.2
Gross cash	0.7	0.9
Financial debts	-0.7	-0.7
Other	-0.1	-0.0
NAV	9.5	9.1

At 30 June 2024, Sofina has revolving credit facilities available for a total amount of EUR 1.125 million and is entitled to draw under the majority of them for a maximum rolling period of 12 months per credit line. These credit facilities are all fully undrawn at the date of this Newsletter.

Diversified investment portfolio

SOFINA DIRECT
80 portfolio companies

SOFINA PRIVATE FUNDS
553 funds

Long-term minority investments	Sofina Growth - Investments in fast-growing businesses	Sofina Private Funds - Investments in venture and growth capital funds
		
34% of the portfolio in transparency ²	20% of the portfolio in transparency ²	46% of the portfolio in transparency ²

The top 10 investments of Sofina Direct represent 30% of Sofina's portfolio in transparency ⁴

1.	GROUPE PETIT FORESTIER ⁵
2.	LERNEN MIDCO 1 (COGNITA)
3.	DRYLOCK TECHNOLOGIES
4.	HSG CO-INVESTMENT 2016-A (BYTEDANCE) ⁶
5.	NUXE INTERNATIONAL
6.	CAMBRIDGE ASSOCIATES
7.	BIOMÉRIEUX
8.	BIOBEST GROUP (BIOFIRST) ⁷
9.	MÉRIEUX NUTRISCIENCES
10.	SALTO SYSTEMS

- The 4 largest investments of Sofina Direct represent more than 15% but less than 20% of the portfolio in transparency whereas the 6 largest investments within Sofina Direct represent more than 20% of the portfolio in transparency.
- Groupe Petit Forestier, following the valuation from the sale of our holding, now represents more than 5% of the fair value of the portfolio in transparency, while waiting for the deal to close. ⁵ ByteDance, a global internet and technology company active in more than 150 countries, also represents 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. ⁶

¹ For a definition of the different terms, please refer to the glossary of our [Annual report 2023](#).

² Rounded amounts, considering the portfolio in transparency at 30 June 2024, based on preliminary and unaudited figures and following the valuation principles summarised below in the Explanatory notes.

The amounts at 31 December 2023 are final (audited) figures.

³ Calculation based on the number of outstanding shares at closing date: 33,132,976 shares at 30 June 2024 and 33,197,072 shares at 31 December 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 30 June 2024 (portfolio in transparency) and based on preliminary and unaudited figures and following the valuation principles summarised below in the Explanatory notes. The ranking of our Sofina Direct investments does not take into consideration indirect holdings in these entities through partnerships of Sofina Private Funds.

⁵ Sofina values its holding in Groupe Petit Forestier on the basis of the sale price assuming a high level of probability of completion of the exit transaction.

⁶ Sofina values its holding in HSG 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.

⁷ Biobest Group (BioFirst) regroups Biobest Group SA and MxBEE, an investment vehicle whose sole asset is a shareholding in Biobest Group SA. For Biobest Group (BioFirst), the ranking therefore consists of the fair value in transparency of Biobest Group SA and MxBEE.

Trends & Investment activity

Sofina Direct

As mentioned, we see improved opportunities for growth and value creation across our portfolio and in the broader market. This is true across our 5 sectors of focus. Trends are clear: ongoing digitisation of industries and markets, and innovation in fields such as healthcare or climate and sustainability offer ample opportunities to invest. Strong performance at a number of portfolio companies also allowed for value crystallisation.

In the **Consumer and retail** sector, entrepreneurs and companies continue progressing on their journey to improve unit economics

and growing in more capital-efficient ways. Businesses with sustainability at their core, such as in Vinted, do well, as does digitisation of offerings and customer experiences. As segment winners emerge, we look for opportunities in the consolidation. Not every investment produces winners, but overall performance is solid.

It's also good to see the recovery of investments that struggled during COVID. **Nuxe's** return to growth is an excellent example.

The same goes for private schools network **Cognita**. Our focus in the **Education sector** is on the integration of generative AI in all types of education, vocational training and on-the-job development. Both for educators, pupils and professionals, on- and offline.

Whereas investors in **Healthcare and life sciences** emerged from a challenging 2023, the underlying transformation with innovation in digital health and life sciences is attracting more and more attention.

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 since the end of last year, with more sensible valuations. Following our earlier investment in the Danish industry-specific software company **EG A/S**, that closed at the start of the year, our investment in **team.blue** is another proof point of our belief in the sector and its long-term profitable growth prospects.

We are satisfied with the traction we see in **Sustainable supply chains**, now a formal fifth sector in our strategy and reporting, from the ongoing growth at **BioFirst**, as well as innovation in sustainable energy supply chains, notably the battery market. The long-term potential is undeniable for companies like **Green Energy Origin**, even while carefully assessing the current growth of the EV vehicles market.

We continued to implement **sustainability roadmaps** in our own operations and across our portfolio, with a strong focus currently on science-based target setting for emissions reductions.

Main **Sofina Direct** investments during the past six months:

- **Long-term minority investments:**
 - Acquisition of a 4% stake (in July) in **team.blue**, the leading digital enabler for businesses and entrepreneurs across Europe, pending regulatory approvals.
 - Investment in Danish **EG A/S** closed in January this year.
- **Sofina Growth:**
 - Participation in a new funding round for France-based **Mistral AI**, which continues to bring out distinctive, successful and globally competitive generative AI models.
 - Smaller add-on investments and transactions in **Dott**, a European urban mobility provider, **Vizgen**, the US-based life science company, and **Rohlik**, the CEE-based e-commerce company (in July).

Main divestments and value crystallisation:

- Full divestment of our holding in **Groupe Petit Forestier**, where we are awaiting usual clearances to close. For now, it is our largest individual holding.
- Sale of our stake in Polygone, the holding company above **GL events**, as well as sale of shares in GL events on the stock market, as we further transition our focus on other sectors and innovative growth.
- Partial exit of **Sibelco**, the material solutions company.
- Sale of our remaining stake in **Mamaearth's** holding company Honasa Consumer, following its successful IPO. We still hold 5.2%, from our original 9.5% stake in the company.

- Exit from **Graphcore** and application of our liquidation preference when the UK-based AI-chip producer was recently acquired by Softbank Group.

Sofina Private Funds – Recent trends and portfolio update

The sector of Sofina Private Funds is also showing signs of recovery, with fundraising activity picking up in a healthy way. The new environment remains marked by cautiousness with investors favouring established managers over emerging ones. Funds sizes are rationalized and with investors concentrating on a small number of consensus firms, competition is intense. Sofina's long-standing expertise and close relationships with these outstanding firms help ensure access to the most sought-after funds. At the same time, we have the opportunity to deepen our relationships and increase our commitments with more emerging firms that may be less popular but for which we have developed a strong conviction and could be the champions of tomorrow.

While Sofina Private Funds' activity has accelerated in the first half of the year, it remains below historical trends. Funds managers are careful in deploying money, extending investment periods and delaying fundraisings. In terms of cash flows, distributions are lagging compared to capital calls amidst a limited liquidity environment.

Transactions on own shares and liquidity agreement

During the past half-year, Sofina announced a [share buyback programme](#) and entered into a liquidity agreement.

The share buyback programme was launched on 10 May 2024 to repurchase 90,000 shares to partly cover the stock options plans issued for the benefit of the personnel of the company and its subsidiaries. This programme was completed on 10 July 2024.

In the framework of the liquidity agreement entered into between Sofina and Kepler Cheuvreux on 11 April 2024, Kepler Cheuvreux carried out on behalf of Sofina the following transactions on Euronext Brussels during the period to 30 June 2024: 84,443 buybacks of own shares and 81,290 disposals of own shares.

Sofina held 1,117,024 own shares on 30 June 2024, of which 15,153 shares under the liquidity agreement. More (recent) information is available on our website.

Life at Sofina

To further enhance our relationships and increase our relevance internationally, we are stepping up our engagements with broader stakeholders, from speaking at roundtables, investor and start-up events, to attending some of the leading sector specific global gatherings. Our colleagues also keep engaging across the world with local impact initiatives, from hospital supplies for Ukraine through BEforUA, to community kitchen Willing Hearts in Singapore. We concluded an impact assessment report of our Sofina Covid Solidarity Fund, which we'll present in our Half-year report in September.

On our [website](#) you'll find job openings as we look to expand our teams, alongside the interns we bring on board for 6 months across our 3 offices in support of the Investment Team.

Financial calendar

5 September 2024	January 2025	26 March 2025	8 May 2025	July 2025
Half-year report 2024	<i>Sofina Newsletter #15</i>	Annual Report 2024	Annual General Meeting	<i>Sofina Newsletter #16</i>

Latest publications

- [Annual report 2023](#)
 - Presentation of the annual results 2023 - [slides](#)
 - AGM 2024 – [slides](#), [minutes](#) and [video recording](#)
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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. 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 Half-year report 2024 on 5 September 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 [Annual report 2023](#) (p.99 and ff.) for more details.

Variation of our NAV at 30 June 2024 that will be published in our Half-year report 2024 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 Q1 2024 reports (received from our General Partners, corrected for capital calls and distributions, with listed assets taken at their stock market value at 30 June 2024, 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 Q2 2024 that is unknown at this date. Currently, 98% of the Sofina Private Funds portfolio is valued based on Q1 2024 reports from General Partners (while 10% is based on the listed assets taken at their stock market value at 30 June 2024), 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 half-year accounts by the Board of Directors on 5 September 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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Beantwoorden Doorsturen

Deelvenster Genodigden gesloten