Kinnevik Q2 Report 2022

Monday, 11th July 2022

Introduction

Georgi Ganev

CEO, Kinnevik

Welcome

Good morning and welcome to the presentation of Kinnevik's results for the second quarter in 2022. I am Georgi Ganev, Kinnevik's CEO, and with me today is our CFO, Erika Söderberg Johnson; our Chief Strategy Officer, Samuel Sjöström; and our Director of Corporate Communications, Torun Litzen.

Presentation of Kinnevik's Second Quarter 2022 Results

Let us move to page two directly. The sharp market downturn we have seen during 2022 will likely have deeper economic effects than we expected six months ago. Rising interest rates to combat higher inflation has caused valuation multiples for growth companies to contract considerably. An economic recession in our key geographies is the next likely step and combining this with a tougher fundraising environment has caused extreme pressure on cash-consuming growth companies.

Ultimately, this may have material negative impact on some of our less resilient companies. But that said, I am confident that Kinnevik will, over the long term, emerge from this downturn as a stronger company and regard the current downturn as a net positive for two reasons.

Firstly, we have allocated capital in a structured and disciplined manner in the last few years of elevated valuations. In addition, we have built a balanced portfolio of companies at different stages of maturity and time to profitability.

Secondly, our permanent capital and strong financial position means we can take a more long-term view than many other investors. We can support and guide our strongest companies through the downturn and also have ample firepower to seize opportunities that will arise from this crisis.

Agenda

On this call today, I will begin by commenting on our net asset value development and then go through the key events of the quarter. After that, we will spend some time on the composition of our growth portfolio, which we think is significantly more balanced and robust than it was two to three years ago. Erika will then guide you through the key valuation changes during the quarter and finally, our view on our capital reallocation through this environment.

We are navigating a highly challenging environment from a position of strength, with short-term challenges and long-term opportunities

Now moving to page three. At the end of the second quarter in 2022, our net asset value amounted to SEK61.1 billion or SEK218 per share. That is down by SEK6.7 billion or 10% compared to the end of the first quarter. We have effectively written down each individual unlisted investment by around 30% on average this quarter.

However, the reported fair value of our unlisted portfolio decreased by a more muted 7%. And it is important for you to understand why this is the case. And Erika will speak to you about that in more detail in a few minutes, but in short, our substantial write-downs have been cushioned by a handful of transactions in Q2, our liquidation preferences and material currency tailwinds. Adding to that, our companies are outpacing their peers, growing their revenues by more than 135% year on year in the first half of 2022.

Highlights of the Quarter

Now on this page, let us now focus on the highlights of the quarter. We made follow-on investments in Budbee and Mathem, and I will get back to Budbee in a minute. This is not easy in this environment to raise capital, and it is a real sign of strength from both these companies.

In May, we divested around a quarter of our shares in Tele2 for SEK6 billion. The proceeds from this transaction, together with the dividends received from Tele2, brought our net cash position to SEK13.6 billion by end of June. This provides us with additional financial strength at a time of market uncertainty and ensures we have a net cash runway through 2024. It also gives us increased flexibility to be forward-leaning when attractive opportunities arise.

Finally, we continued to drive the development in our industry with regards to our sustainability initiatives. We published our first Climate Progress Report last week, and I will talk about this more later, but the results presented in this report proves that with clear strategies and targets, you can make a real impact.

We have made great strides in building a balanced growth portfolio spread across the typical S-curve of growth and time to profitability

Now moving to page four. As I mentioned earlier, in recent years, we have made strides in building a balanced portfolio with companies spread across the S-curve in terms of growth and time to profitability. We have achieved this by investing at different stages of maturity, as well as making consistent follow-on investments to fund continued growth in our most promising businesses. In addition, many of our companies took advantage of the strong market of the past by raising capital and extending their runways.

Taking our company's differences into account, we evaluate each situation individually and do not push any generic advice on how they should value growth versus profitability in the short term.

This page shows some illustrative examples from our portfolio of companies on the S-curve. On the right-hand side, you see Jobandtalent, which we invested in late last year. The company grew revenues by 130% in 2021, while being profitable at an EBITDA level.

Now the other side of the S-curve, we have Omnipresent, which we invested in just a few months ago and which is at a significantly earlier stage of growth. In 2021 alone, the company grew revenues by 25 times.

And in the middle, we have an example of a company that has successfully moved along the S-curve, Budbee. I would like to dive a bit deeper into Budbee on the following page.

We invested early in Budbee and have continued to deploy more capital as the company continues to show strong organic and profitable growth

Since we first invested in Budbee in 2018, the company has grown revenue by 20 times and was also profitable in its underlying operations in 2021. During these first four years, we have continued to consistently invest more capital into the business to support its continued profitable growth.

Our first investment in Budbee has to date generated a return of 11 times and in total, our investments in Budbee has returned 4.4 times our aggregated invested capital. And in May, Budbee completed a funding round that was oversubscribed. This is a great example of how high-quality companies still can raise capital at attractive terms even in these markets.

And another key milestone is the contract in the Netherlands, which includes the installation of parcel lockers in 700 Albert Heijn stores. We very much look forward to continuing supporting Fredrik Hamilton, the founder of Budbee, and the entire Budbee team on a successful growth journey.

Kinnevik achieved its climate target for the portfolio in 2021

Let us now move to page six. I always talk about our sustainability efforts with great pride, and I felt that particularly when we released our first Climate Progress Report, in June. Climate change is one of the greatest challenges of our time and as an investor, Kinnevik has a unique position to influence our companies to become climate leaders.

And in 2021, our companies that report emissions decreased their emissions intensity by 11%. This means we reached our annual target of 7% by a wide margin. It also means that we reached the annual climate sustainability performance target for our outstanding sustainability-linked bonds. This is the key to decarbonisation, to decouple economic growth from emissions growth.

Our long-term target is to achieve a 50% reduction in emissions intensity across our portfolio by 2030. Reaching this target is important to us for many reasons, not least because aligning our portfolio with a low carbon future opens massive opportunities that we want our companies to take advantage of.

Now I would like to hand over to Erika for a more detailed description of the key valuation changes during the quarter and our perspective on capital allocation in this environment.

Financial Review

Erika Söderberg Johnson

CFO, Kinnevik

An underlying value reassessment of -30% is cushioned by a handful of transactions and positive effects from preferences and currencies

Thank you, Georgi. As mentioned, there have been a handful of transactions that guide our valuations this quarter such as Budbee and Mathem as well as Omio. Including the valuations of these companies, the average write-down was around 20% on an underlying basis. Putting these transactions in fair valuations aside, the average write-down instead exceeded 30%. This is fairly in line with how our companies' public benchmarks have traded in the quarter.

Then how come the write-down of our unlisted assets only adds up to 7% in total? Two reasons: liquidation preferences and currencies. In total, these two factors contributed with an approximate SEK3.6 billion positive effect in the quarter. I will get back to these two factors in a second, but let us first talk about the most important value drivers: multiples and underlying operational performance.

Multiple contraction in companies not priced in Q2 is slightly more modest than the listed benchmarks that our investees are outgrowing

Flipping ahead to page eight. We wanted to make sure you understand that we are not being gentle when it comes to superimposing public-market multiple compression on our unlisted companies.

As illustrated on the left-hand chart, we have contracted the multiples in our unlisted portfolio on par with peer groups pretty much across all sectors. In aggregate, we have contracted our multiples by around 43% on average during 2022.

We have been more gentle on our software investments, compressing multiples by around 40% year to date rather than the 60% observed in the peer groups. Why? Because the peer group is weighed down by the reversal of sectoral trends in areas like e-commerce, whereas our key investments, Pleo and TravelPerk, are inversely enjoying material tailwinds on the back of pandemic-induced restrictions waning off. This, we believe, warrants a more moderate approach than that we have seen in companies like Shopify.

On the right-hand chart, we are showing the difference in revenue growth between our unlisted companies and their public benchmarks. The chart probably speaks for itself but to give you an aggregate number, our investees outpaced their public peers by 4.5 times on top line in the first half of 2022, growing revenues by more than 135% year on year relative to a more modest 30% for the public peers we infer multiples from.

The mood music may have shifted towards profits for the time being, but considering our companies are generating gross margins on par with their listed peers, we believe this material over-performance on growth warrants higher short-term revenue multiples for some of our businesses, provided they have the ability to continue to over-perform at these kind of levels.

Liquidation preferences and currencies have a significantly positive effect on our carrying values as per quarter-end

With that, let us move on to page nine. As mentioned, liquidation preferences and the currency tailwind provided a positive SEK3.6 billion effect in the second quarter. The same number for the first half of 2022 amounts to SEK4.4 billion. Stripping out this effect, the change in fair value of our unlisted portfolio would be down by more than 30% year to date rather than the roughly 16% shown in our reported numbers. I trust you are all aware of what has happened with the Swedish krona during 2022, so let us focus on liquidation preferences.

Liquidation preferences are customer provisions in early-stage investing. In general terms, these types of provisions affect how value is allocated between shareholders in an exit or IPO. The most common type of liquidation preference entails that in case a company is sold or listed at a valuation below the valuation in the last private funding round, investors are guaranteed to get at least their invested capital back. It also means that as long as the valuation is higher than the amount of capital the company has raised, investors are equally guaranteed to get their money back.

As you can imagine, this causes inertia in the fair values of our investments when we write down investments that have been carried at marks in line with the capital we have invested. As a result, the effect of these preferences are typically centred around the new investments we made in 2021 and early 2022, where our fair value is unchanged but our assessment of the underlying valuation of each relevant company may have been lowered materially.

This is not a theoretical concept. These types of provisions have been enforced in numerous exits and IPOs that we have undertaken historically and are very much an economic reality.

Clearly, we are not sellers of all these assets at currently prevailing valuations, but our regulatory framework requires us to value our investments at the price that we would receive when selling it, and that price is at times determined by these types of provisions. This is why we take them into account in our NAV statement.

The aggregate effect of these provisions per end of June amounts to SEK2.4 billion in current exchange rates. The SEK2.2 billion illustrated in the chart on the right-hand side is the effect in constant currencies year to date. This means that without these provisions, our fair values would be SEK2.4 billion lower. Conversely, if you were to make forecasts on upside of our NAV, you should start from a SEK2.4 billion lower base.

Budbee is the only material write-up in Q2, with our larger investments otherwise being subjected to multiple contraction in line with peers

With that, let us move on to page 10 and some of the key valuation reassessments among our unlisted assets in the quarter.

As covered before, almost all of the valuation changes in the period are in the red, but there is one material exception, Budbee. As Georgi mentioned earlier, the company raised SEK400 million in the quarter to support growth. And this is also what underpins our valuation increase of more than 40%. We value the business at SEK7.3 billion, which corresponds to a premium of around 50% to its key listed peer InPost on an NTM basis. The premium is justified by Budbee's exceptional growth rate, which is almost 4 times that of its peer as well as its proven underlying profitability at group level.

Moving on to Pleo, which fair value write-down is the largest in absolute terms among the private companies, due to the high value of our stake, courtesy of the company's fantastic progress. The NTM multiple used in valuing the business has contracted by 35% in the quarter. As mentioned, this is slightly more modest than the peer set considering Pleo benefits from the ongoing reversal of consumer behaviour coming out of the pandemic, a reversal which is impacting the peer group adversely. The company is also growing around 4 times faster than its peers.

Moving on to our two most important investments in value-based care, namely VillageMD and Cityblock. The valuation of VillageMD is more than 30% below the valuation in the transaction with Walgreens in Q4 last year in dollar terms but benefits from FX tailwinds. Year to date, VillageMD's NTM multiple has contracted by almost 50%, which is 5 percentage points more than the average peer. We value the company at a premium compared to peers on an NTM revenue basis as VillageMD is growing more than twice as fast as the peers. This outperformance also makes this premium to narrow considerably or even turn into a discount when looking into 2023 and onward.

Cityblock is written down by another 12% in the quarter. And year to date, the asset is down 25% in SEK terms or 35% in dollar terms. Year to date, the contraction in our NTM revenue multiple used to assess Cityblock's fair value amounts to more than 50%, almost 10 percentage points deeper than the average peer. Similar to VillageMD, the company catches up with the peer group, pushing the revenue base six to 12 months further into the future as Cityblock is outgrowing its peers by 2 times.

Our NAV is down 10% with pressure in growth balanced out by our significant net cash position and a more resilient Tele2

Turning to the next slide, page 11. Overall, our NAV is down by SEK6.7 billion or 10% in the quarter and amounted to SEK61.1 billion at the end of June. After the sell-down of Tele2 of SEK6 billion and receiving another SEK3.1 billion in dividends, our net cash position of SEK13.6 billion corresponds to 28% of portfolio value.

As in the last two quarters, Tele2 was more resilient than our growth assets. Our listed growth companies, Babylon, Teladoc and GFG were down by around 50% or SEK2.9 billion.

As covered previously, the valuations of the unlisted assets continued to be under pressure, but need to be unpacked to be understood. So in short, valuations supported by transactions taking place in the second quarter, thereby priced in the current valuation environment, gave a positive effect of SEK1 billion. The write-down of unlisted assets not transacted in the second quarter amounted to SEK3.2 billion. And as mentioned earlier, excluding liquidation preferences and currency tailwinds in the quarter, the fair value of our unlisted growth portfolio would have been SEK3.6 billion lower.

Our financial position allows us to maintain our investment momentum, and we aim to allocate capital in a disciplined but flexible fashion

With that, let us move on to page 12. We had a SEK13.6 billion net cash position at the end of June and still expect to invest around SEK5 billion in full year 2022, split approximately equally between new investments and follow-ons in our existing portfolio.

And on follow-ons, in the centre of this page, we have provided you some indications as to the runway of our unlisted portfolio. By fair value, around 9% of our companies have runway ending this year and will be forced to raise in this difficult environment. But more than a third of our companies have runway lasting until the second half of 2023, and almost half of our companies have runway into 2024 or beyond.

Our and our investees' financial strength clearly adds to our sense of confidence in allocating capital in this environment. It is also why we feel we have great degrees of freedom as to the timing of our capital deployment and that we will be able to pounce on opportunities as and when they arise. In any case, even without a single inflow of capital over the coming two years, we will be more than able to maintain a SEK5 billion annual investment momentum.

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

Conclusion

Georgi Ganev

CEO, Kinnevik

We invest for a reimagined everyday

Thank you, Erika. As I said at the beginning, I believe the pressure that we have seen on growth valuations will continue, and it will be soon clear which companies rose with the tide during the pandemic and which truly have the potential to become long-term successful. This is the case for the venturing growth market in general, as well as for us at Kinnevik.

It is important to remain humble in this environment. But that said, I think Kinnevik is in a very good position to emerge from this crisis as a stronger company with a long-term view, our balanced portfolio and our strong balance sheet.

That said, we are now ready to answer your questions. So operator, please open up for Q&A.

Q&A

Derek Laliberte (ABG Sundal Collier): You mentioned in your outlook statement that we will see a greater negative effect going forward here in the companies that are less resilient, which makes a lot of sense. I mean, have you generally made bigger valuation cuts would you say in these names than indicated by the peer valuations? And have you also adjusted your own revenue estimates, etc., for these companies due to these macroeconomic outlook factors?

Georgi Ganev: Yes. I mean, looking at our valuation methodology, of course we take into consideration the outlook for the company and what's shown in their forecasts and budgets and all the actions they are taking. So companies that are less resilient to the changes we see in the market, companies that have a shorter runway and/or are less adaptable to situations like this are therefore written down at a greater extent.

Derek Laliberte: Okay. Secondly, I was wondering, looking at the report here, I might have got this wrong, but it appears that you have raised your revenue estimates by quite a bit here for the coming 12 months. Can you give any flavour on which companies are performing better than expected comparing to one quarter ago?

Samuel Sjöström: Sorry, Derek, just to make sure, are you referring to the value drivers waterfall on page 30? Or are you thinking about the delta in the descriptive tables compared to the Q1 report?

Derek Laliberte: Yes, exactly. It just seems when looking at the multiples and the valuations here that on aggregate for the different segments here, that the overall impact from a greater revenue base in the multiple here has had a positive impact. And I assume you are moving one quarter forward to speak in the next 12 months here. But it just seems that the sales estimates are up for 2022 compared to before.

Samuel Sjöström: I see your point. I think in the last quarter, in that table, we had full year 2022 multiples, right? And now we show you NTM. So the base is pushed six months forward. As Erika mentioned, our companies grew by more than 135% on average in H1. So clearly, that revenue base increases when you move forward a few months. But it is not us raising estimates in terms of where our companies will be financially over the coming years, it is just a matter of moving forward in time.

Derek Laliberte: Okay. Yes, I have a bit trouble here. But I presume there are no major changes, I suppose, in your underlying estimates for the companies, on an overall basis, that is.

Georgi Ganev: Yes. Just to be clear, it is actual growth figures in H1. So when the windows moved forward to NTM, those growth figures are taken into account into that period. Therefore, they are greater than before, right? But it is not the estimates that are changed. So you can say that our companies have been growing faster in H1 than before.

Derek Laliberte: Yes. It seems the line on the phone, after talking to the telephone, the audio is better on the webcast than on the phone. I was wondering also, you mentioned the downside protection provisions here. Could you mention which companies are affected by this? I found Vivino and Jobandtalent in the report that you had a comment. Are there any others that benefited valuation-wise from this?

Samuel Sjöström: I think if you sift through note four in the report, Derek, you will find the company-by-company disclosures as far as we are comfortable. In addition to that, I also think we mentioned that it is largely centred around the more recent investments, where we have only participated in one round, where you have not seen any write-ups since that investment. Clearly, those are more affected by these types of downside protections rather than the companies that we have written up through COVID.

Derek Laliberte: Okay. And finally, from my side, just looking for an update. You have this total shareholder return target of 12% to 15%. How is that linked to this split between listed and unlisted assets? Because I would generally think that now that your share of unlisted assets in the portfolio has increased by quite a bit, that this would somehow impact the return targets?

Erika Söderberg Johnson: Yes, as said before, the larger the share of unlisted assets and more high-risk assets, the higher our return requirements get. So as we said, we are constantly evaluating, and we will revisit when the portfolio has moved along so that the underlying requirements for the composed portfolio has increased. It is not something we have done yet but as we said several times, this is something that will most likely happen as our companies, even if they move along the S-curve, the share of unlisted growth companies has increased when we decrease the number of listed value companies.

David Johansson (Nordea Markets): So we have seen quite large changes in the tech and DC space recently from companies announcing cost savings measures and reducing headcount numbers, also with increased focus on profitability over growth. So maybe you could comment on the operational development and revenue growth in some of your holdings? For example, we saw Babylon announcing cost-cutting actions last week. Have you initiated similar cost savings measure in some of your other companies?

Georgi Ganev: Hi, David. Thank you for the question. So first of all, I would like to say that we try not to have one common recipe for all our businesses in the portfolio. It depends, I mean, how close they are to profitability, what is their overall efficiency, what is their runway and so forth.

But as you rightly pointed out, Babylon has announced this cost-cutting to extend the runway and also focus more on profitability. I mean, I think when they became a public market, the only thing the market asked for was growth. And they did impressively grow the revenue by 3.5 times last year and almost 4 times the first quarter of this year. Now the focus is to turn that growth into profits, maybe a little bit sooner than they initially planned.

The important thing to say here as well is that we see that roughly 50% of our unlisted assets are financed with a runway that lasts at least to 2024 or through 2024 or to profitability, and less than 10% has a runway that ends this year. And of course, some companies will have to take more cost-cutting actions than others, but I do not want to go into specific company details.

David Johansson: Another question. So I noticed you stopped reporting now for an investment to raise in DS, which you have held for quite some time. Maybe you could tell us what the reason for this is? Surely, this is not one of your newer investments.

Samuel Sjöström: Sure. It is fairly simple. After the write-down that we are doing this quarter, they make up such a miniscule share of our NAV. So we do not feel necessarily that it is worthwhile to point any attention to it. It is not only sort of the smallest stake in terms of percentage of NAV, but it is also at least one of the smallest in terms of percentage ownership. So it is non-core, and that is why we are moving it out.

David Johansson: Okay. Fair enough. So last one from my side. So liquidation preferences, quite a bit of cushion for NAV in Q2, and it was significantly higher than in the first quarter. What is the reason for this? And how should we think about liquidation preferences going forward?

Samuel Sjöström: Sure. The reason behind it is fairly simple. That is us writing down our underlying companies quite significantly this quarter, as Erika told you about. I think the way you guys should think of it, I mean, you typically have your 12-month horizons and hopefully you try to find some upside during that time period. You should effectively, and I also think Erika mentioned this during the presentation, just remove SEK2.4 billion from your base when you calculate upside.

If you guys want to try and forecast downside, that is going to be a lot more tricky and very dynamic in terms of what companies you are looking to revise your forward-looking valuations for. But there will continue to be inertia on downside here on out. But again, if you want to calculate downside, then just remove the SEK2.4 billion from your base.

Oskar Lindström (Danske Bank): First off is just a question. You write in your CEO comment here that you are focused on supporting your most promising companies throughout this downturn, and then you also show that half of your unlisted portfolio has a runway of 1.5 years. I mean, do you see a scenario where you will start to be more selective in which unlisted assets you are willing to reinvest in and perhaps exiting some of these assets or not reinvesting in them?

Georgi Ganev: Hi, Oskar. I hope you hear me now. We are using a different microphone now. But I will try to answer your question. Obviously, I mean, when we invest in a company, we have high conviction, right? And as we see more and more proof points and that conviction increases, we are starting to build up a relationship with management, the founder and hopefully some co-investors, and we see proof points, we want to follow on with more investments.

But as for the market in general, some of the businesses in the portfolio will be less resilient or we might have misunderstood the companies or the thesis that we had initially. And if that happens, we might not actually deploy capital, although we have a strong balance sheet. So we are ready to invest in the companies where we have the long-term belief. But that does not mean that we necessarily need to invest in all companies in our portfolio.

Oskar Lindström: I have a second question, if I may. I mean you commented here that you sold off the Tele2 shares. If this uncertain market environment remains or perhaps if you see new investment opportunities, would you see a need to sell off more or be willing to sell off more Tele2 shares as a source of financing?

Georgi Ganev: I mean, with a net cash position end of June of more than SEK13 billion, we feel that we have a very strong balance sheet right now. And as Erika said, we are guiding around SEK5 billion this year, which is the average of what we have invested over the last few years and more or less equally split between new and follow-on investments. So I think we are ready to seize the opportunities in the market, and we are ready to back the winners in our portfolio. So there is no other decision taken.

But of course, it feels good as well to have a portfolio that is balanced. So just within the growth portfolio, as you saw in the presentation, we have companies more or less evenly distributed along that S-curve, which means that some of them are close to profitability, and some are much earlier in the journey. And then we have, of course, on top of that, Tele2, which is a stable value stock, which is, of course, good to have in times like this.

Rasmus Engberg (SHB): I also had a really hard time hearing the questions really. The question about the liquidation preference effect, would that be larger or smaller in the coming quarters according to your best guess right now?

Samuel Sjöström: I hope you can hear me now. We do not provide any guesses as to the effect of liquidation preferences going forward. If we continue to write-down assets, then it is likely that that effect will be higher. If we see a reversal of the last two quarters' trend, then the effect will become smaller.

Rasmus Engberg: Okay. And then the final question for me is, you said, was it Budbee was oversubscribed? But your ownership percentagewise in Budbee and Mathem are still unchanged, right? So you took your share of the equity issues. Is that correct?

Georgi Ganev: That is correct. We took our pro rata of that round.

Rasmus Engberg: Okay. So you did not really think that despite the high demand, you did not take down your share in Budbee?

Georgi Ganev: No, I think we have very strong conviction in Budbee, but we own also quite a lot of the company, a bit less than 30%. So we think that is a good exposure. So pro rata felt like the best decision for us at that time.

Joachim Gunell (DNB Markets): So just two final questions from my end. Can you comment with regards to your view on the attractiveness of share buybacks? I mean, I know that you have a portfolio to support in terms of funding but based on the fact that it is a quite sizeable net cash position, it well takes into consideration the capital allocation framework you have for, say, the coming year, at least, and what IRR hurdles you want to see in order to conduct share buybacks?

Georgi Ganev: Joachim, thank you for your question. So I think, I mean, with our strong net cash position of SEK13.6 billion end of June, we of course have a lot to think about when it comes to deploying capital. But I think in terms of order of priority, we would firstly like to see companies in our portfolio to pursue opportunities to invest in the market, and we would like to support them doing so. So invest specifically in the companies we have a very high degree of conviction.

Secondly, of course, we are also looking at new opportunities in the market. We believe that although it is a difficult market out there, this could mean that there are great opportunities for us to invest in new businesses. And there are also new exciting sectors that we are currently working on.

And then thirdly, of course, if we see no opportunities within our portfolio or out there when it comes to new investments, then the third priority would be to consider buying the entire portfolio, which is effectively what we will do if we do the buybacks. But I think that is a more theoretical scenario since our view right now is that we see great opportunities and great companies, both within our portfolio and out in the market. So buybacks is nothing that we have planned.

Joachim Gunell: Understood. And with regards to new or follow-on investments in your existing holdings, can you just help us understand here the trade-offs that, okay, we entered this phase now where private market valuations could be a bit more stable than public ones, obviously. But I mean, if you are really long term, perhaps it would make sense to actually make follow-on investments in down rounds to secure, I mean, the highest potential ROI over the long term, to say, whereas that would obviously trigger short-term negative NAV revisions for Kinnevik. But can you just help us understand your view with regards to that trade-off?

Samuel Sjöström: Hi Joachim, it is Samuel. I mean, we have seen this a couple of times now, and we keep talking about the risk of down rounds. So I think two of those words are a bit misguided, right? And I think you are alluding to one of them. We have corrected the fair values quite a lot in Q1 and in Q2. So it is a matter of down round to what, right? We are clearly below a number of valuations that were underpinned by transactions.

There might be down rounds in relation to those headline valuations, but we find it unlikely, at least today, that there will be down rounds in relation to our NAV. And as Georgi was going to say, there is not really a risk here. It is more an opportunity. Georgi?

Georgi Ganev: Yes. Exactly, Samuel. But I think I understand what you are alluding to. And yes, there are, of course, opportunities for us to invest more into companies when they are valued lower. And we think about the mid, long-term performance of this business and the total shareholder return, which seems the right thing to do as a long-term investment company. Therefore, when we see a company that we are excited about, independently if it is in our portfolio or in the market, we will invest.

Georgi Ganev: Thank you very much for your questions and for listening. And again, we are very sorry about the audio quality issues we have had. Hopefully, we changed our microphones in the room so maybe you heard us during the Q&A session when we answered or on the webcast. But as a last reminder, we will report our results for the third quarter of 2022 on 19th October. Until then, have a great summer. Thank you.

[END OF TRANSCRIPT]