

PRESENTATION OF KINNEVIK'S

Q3 2023

18 OCTOBER 2023





# Q3 2023

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## *Today's Presenters*

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**Georgi Ganev**  
*Chief Executive Officer*

**Samuel Sjöström**  
*Chief Financial Officer*

**Torun Litzén**  
*Director Corporate Communications*

## **KEY EVENTS OF THE QUARTER**

### **DOUBLING DOWN IN OUR HIGH-CONVICTION BUSINESSES**



# WE CONTINUE TO SHIFT THE CONCENTRATION OF OUR PORTFOLIO TOWARDS BUSINESSES IN WHICH WE HAVE HIGH CONVICTION

## Key Events of The Quarter

Q3 2023



**NAV of SEK 50.8bn** or 180 per share, down 6% in Q3 2023 and 12% over the last twelve months. **Unlisted portfolio** down SEK 1.1bn in the quarter through a 2.3bn write-down of carrying values and 1.2bn in net investments



In line with our priorities, we invested SEK 1.0bn into our portfolio companies **Enveda** and **H2 Green Steel**, expanding our exposure to companies where we have strong conviction in the team and their ability to execute. We also released SEK 275m through the sale of our stake in the fintech company **Raisin**



With the conclusion of the EUR 1.5bn funding round, of which we participated with EUR 75m, **H2 Green Steel** now has a fully funded plan for the completion of its Boden plant, taking another leap towards start of operations end of 2025



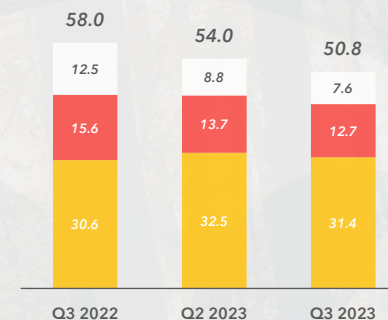
We added **Aira** to our growing Climate Tech portfolio through a EUR 31m investment. We have assessed opportunities in residential energy and heating over the last 18 months, and hold the Vargas-founded company as the strongest opportunity that the decarbonisation of residential heating provides



**Instabee** is facing **cyclical challenges** as order volumes in the e-commerce market are contracting significantly and price-sensitive consumers are opting for cheaper delivery options, resulting in a **sizeable write-down** in the quarter

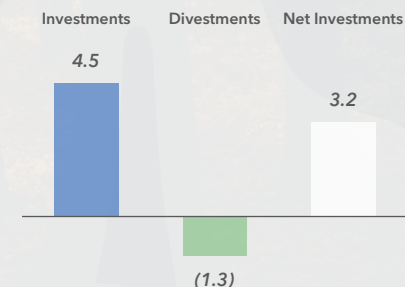
### Net Asset Value

● Public, ● Private, ● Net Cash / (Debt), SEKbn



### Investment Activity

YTD 2023, SEKbn





# WE HAVE HIGH CONVICTION IN H2 GREEN STEEL - A TRUE PIONEER THAT IS SET TO BECOME THE FIRST, LARGE PRODUCER OF GREEN STEEL

## H2green steel

### Supporting & Maximizing Impact of High-Conviction Businesses

- Increasing our **total investment to EUR 100m** with a commitment of EUR 75m on the back of the **company hitting key milestones**
  - Secured **full environmental permit** for its Boden plant
  - Largest green steel off-take order book** with over half of the production volume sold
  - Signed **multi-year supply agreements** for iron ore with Rio Tinto and Vale
  - Boden plant is fully funded** with the new funding round in place
- Through the transaction we increased our ownership share and gained board observer rights
- On completion, the Boden facility is expected to **initially produce 2.5 million tonnes of green steel annually**, with capacity to double volumes over time
- The Boden plant will be **vertically integrated** with significant **productivity and cost advantages** compared to incumbents
  - Existing technologies are combined to produce the greenest steel available with a 95% CO<sub>2</sub> reduction compared to traditional methods
  - The fully integrated production of green hydrogen, iron ore and steel differentiates H2GS
  - Access to cheap renewable energy in Northern Sweden provides a significant moat

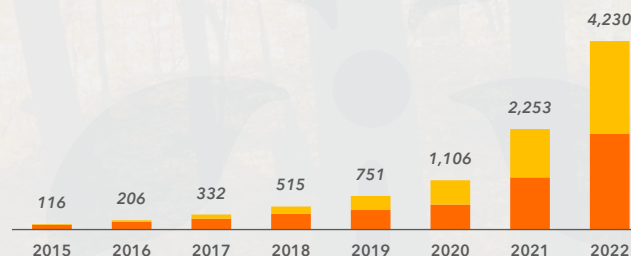
### The Global Steel Industry

Select KPIs



### Companies Committing to The Decarbonization Agenda

Cumulative # of Companies with ● Approved Targets and ● Commitments to Science-Based Targets Initiative



**H2 Green Steel is a true challenger leading the industrial scale decarbonization of steel and has the potential to be the green industry leader**



# OUR NEWEST INVESTMENT AIRA AIMS TO REDUCE CO<sub>2</sub> EMISSIONS BY ACCELERATING THE ADOPTION OF INTELLIGENT HEAT PUMPS ACROSS EUROPE

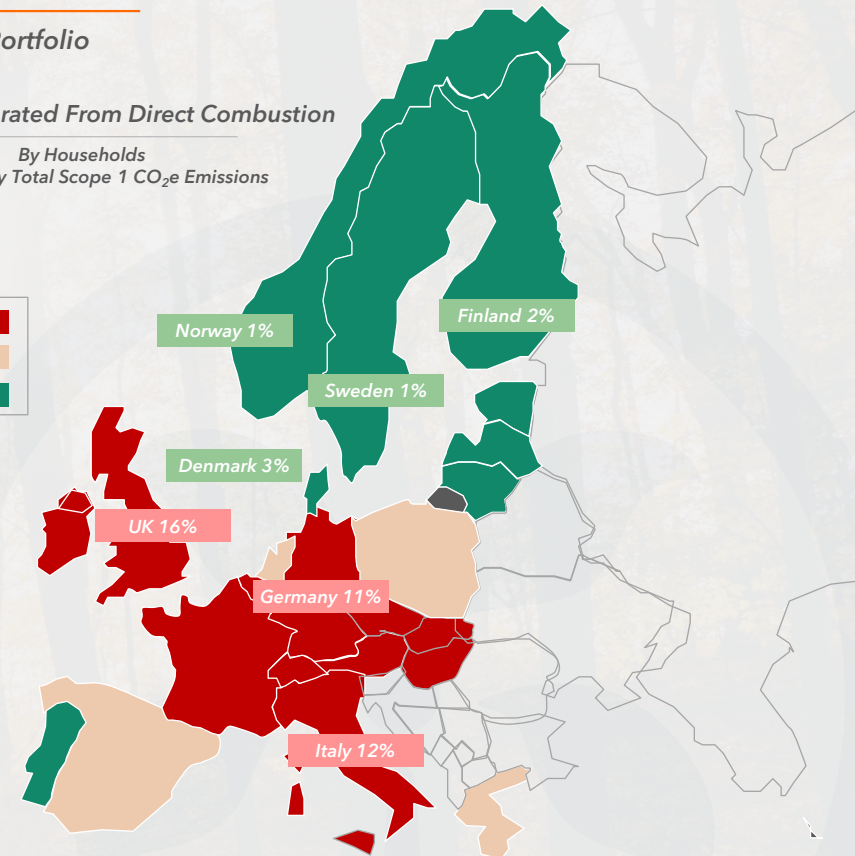
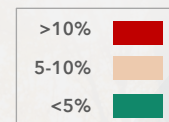
## AIRA

### New Addition to Our Climate Tech Portfolio

- We invested **EUR 31m in clean energy-tech company Aira** for a >8% stake
- Aira intends to build a fully vertically integrated **heat pump business** spanning manufacturing, installation, financing and maintenance
- Europe still relies on 123 million fossil fuel-based boilers, contributing to **10% of the continent's CO<sub>2</sub> footprint**
- Regulation is being put in place in key markets **Italy, Germany and the UK** to incentivise home-owners to shift from gas boilers to heat pumps
  - **Aira aims to serve 5 million homes** in these markets within the next decade
  - With Aira's solution, households can save up to 40% on their heating costs while simultaneously reducing CO<sub>2</sub> emissions by more than 75%
- As residential heating is on the cusp on a major transformation, we have **thoroughly assessed several opportunities** across Europe over the last 18 months, but have chosen not to invest in an opportunity until now
- We have built conviction in **vertical integration being key** to capture this market - from a product, margin, and customer perspective
- CEO Martin Lewerth and his team have the experienced leadership, strategic thinking, and expertise to bring Aira's bold vision to life

### Emissions Generated From Direct Combustion

By Households  
% of Country Total Scope 1 CO<sub>2</sub>e Emissions



*Kinnevik will be a strong strategic partner to Aira and contribute with our experience in scaling global consumer businesses*



# IN LINE WITH OUR PRIORITIES, OUR 2023 INVESTMENTS ARE SKEWED TOWARDS FOLLOW-ONS IN THE COMPANIES IN WHICH WE HAVE HIGH CONVICTION

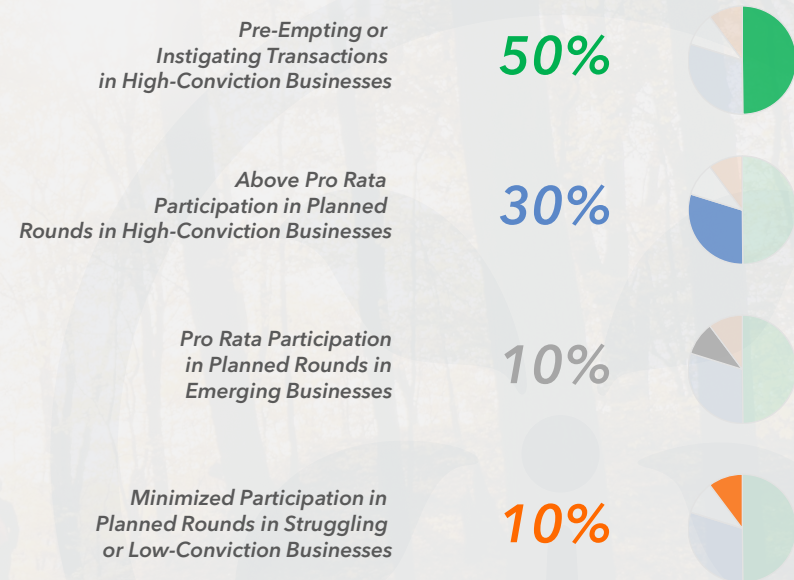
## Capital Reallocation

### 2023 Expectations

- **SEK 3.8bn in accumulated follow-on investments in 2023 to date**, of which **>80% into high-conviction businesses** where we are either initiating transactions - such as in Spring Health in H1 - or willingly accreting ownership - such as in H2 Green Steel and Enveda in Q3
- We are working on additional near-term pre-emptive or secondary **opportunities amounting to SEK 0.5-1.0bn** that may convert during Q4
- **Around 60%** of the private portfolio by value (excluding VillageMD) is carried in **profitable or fully funded companies**, where we are primarily exploring secondary opportunities but also primary equity injections that can help accelerate or maintain growth levels
- Around **10%** is carried in companies with a **runway ending within the next 12 months**
- **We expect proactive capital allocation into our high-conviction businesses to make up the majority of future follow-on investments**, and that deployment into follow-on investments will be highly dependent on the extent to which we can convert these opportunities

### Type of Follow-On Investment

Current Forecast (Approximations)



**We remain focused on making the most of the current environment through maximizing the impact of our highest-conviction investments and capturing opportunities that arise during a period of more risk-averse sentiment**



# VALUATIONS

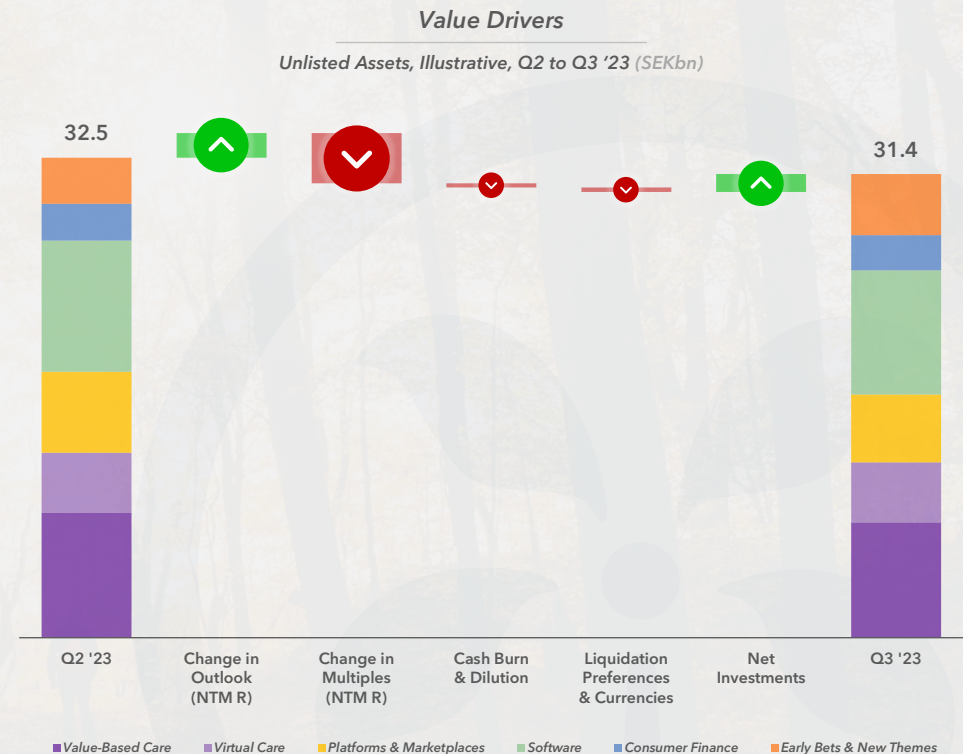


# DOUBLE-DIGIT MULTIPLE CONTRACTION AND CHALLENGES IN CONSUMER E-COMMERCE HELD BACK VALUE ACCRETION IN THE PRIVATE PORTFOLIO

## Private Company Valuations

### Drivers & Parameters

- Underlying valuation reassessment of our unlisted assets of 8% translates into a **fair value write-down of SEK 2.3bn or (7)%**
- Multiple contraction of (11)%**, in line with what is observed in the broader peer universe
- Largest value revision of the quarter at **Instabee** stemming from a significant decline in expected Swedish e-commerce volumes. **Software and Virtual Care** developing more strongly in a slowed down B2B purchasing market
- Aggregate impact from **liquidation preferences** amounts to **SEK 2.6bn** at the end of Q3 – **down 0.2bn** from Q2 and down 0.6bn from end of 2022 (a movement that would otherwise accrete to NAV)
- SEK 0.1bn negative FX effect**, less meaningful than past quarters
- Climate Tech growing in significance** after our follow-on investment into H2 Green Steel and investment in Aira – **9% of the private portfolio** in six businesses carried in the ‘Early Bets & New Themes’ category
- Will be **broken out as dedicated NAV category in our Q1 '24 Report**, with valuation commentary on more impactful investments



*Our unlisted portfolio developed on par with its broader peer universe in Q3 despite our significant write-down of Instabee*



# OUR CORE VIRTUAL CARE AND SOFTWARE COMPANIES HAVE FACED THE MOST SIGNIFICANT MULTIPLE CONTRACTION, BUT HAVE GROWN INTO OUR VALUATIONS

## Core High-Growth Virtual Care & Software

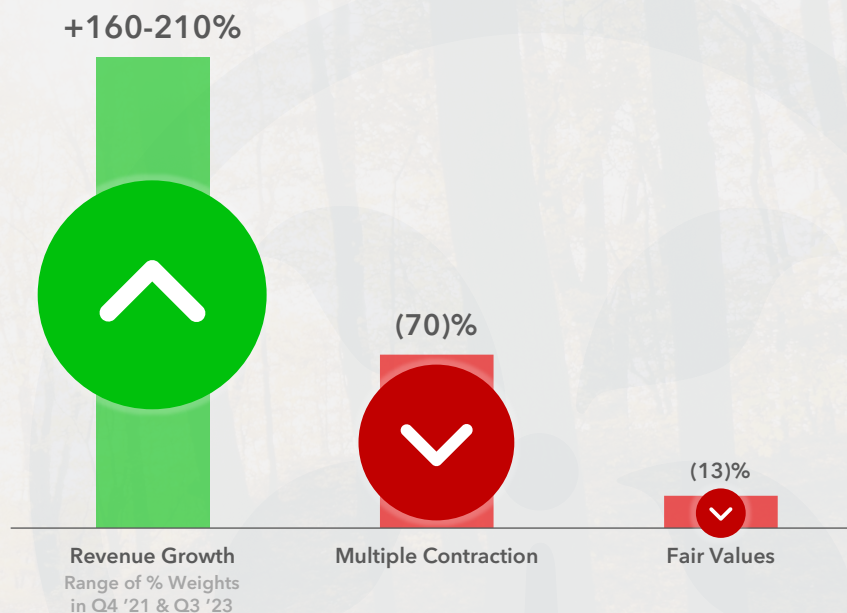
### Key Valuation Revisions & Considerations

**PEO**  
**cedar**  
 Spring Health  
 TravelPerk  
**MEWS**

- Our **largest and strongest performers in our core categories** Virtual Care and Software
- With multiple contraction of 15% on average, **aggregate fair values remain flat in Q3 '23**
- Will **grow** revenues and gross profit by **around 100%** on average in 2023, and expected to grow by around **65% in 2024**
- Average **EBITDA margin loss of (15-20%) expected in 2024**, balancing continued high growth with improving profitability, reaching break-even on a staggered monthly basis over 2024-25
- Valued at around 10x NTM revenue or 15x NTM gross profit on average - **in line with high-growth peers into 2024** with an **equal or stronger 'rule of 40'** on average
- **SEK 1.8bn deployed** into this core group in 2023 to date, **working on opportunities to deploy more** in 2023-24 at current levels

### Illustrative Development Since Q4 '21

2022-24 Growth Outlook, NTM Multiples, Value-Weighted Averages



Q4 '21 % Share Private Portfolio

34%

35%

Q3 '23 % Share Private Portfolio



# OUR TWO LARGE VALUE-BASED CARE COMPANIES HAVE MATURED DURING 2022-23, AND ARE EXPECTED TO REACH BREAK-EVEN IN 2024

## Maturing Value-Based Care

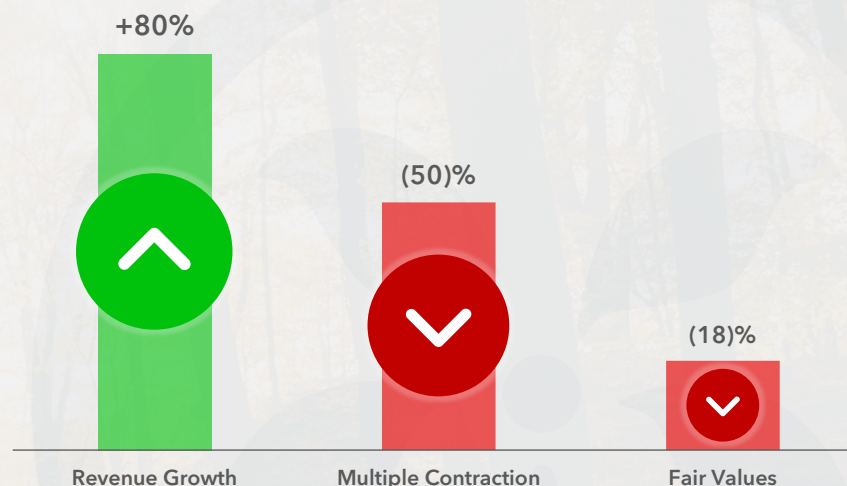
### Key Valuation Revisions & Considerations

#### VillageMD cityblock

- Value-based care enabler peers down 5% in Q3, traditional care providers down 10%
- VillageMD** marked **down 11%** (23% below key delisted VBC businesses on EV/NTM revenue)
- Walgreens Boots Alliance guiding **10-17% growth and EBITDA break-even in fiscal 2024** (ending 30 September) in healthcare segment which VillageMD makes up majority of
- Cityblock** marked **down 5%** (24% below key delisted VBC businesses on EV/NTM revenue)
- Performing above plan in 2023 and expected to **outgrow the peer universe by 5x on topline in 2024** after dedicating 2023 to improving margins
- EBITDA break-even expected in late 2024

#### Illustrative Development Since Q4 '21

2022-24 Growth Outlook, NTM Multiples, Value-Weighted Averages



Q4 '21 % Share  
Private Portfolio

27%

23%

Q3 '23 % Share  
Private Portfolio



# THE KEY VALUATION REVISION IN Q3 2023 IS INSTABEE, SHARING A PATTERN WITH OTHER CONSUMER-FACING E-COMMERCE INVESTEEES SINCE END OF 2021

## Challenged Consumer-Facing e-Commerce

### Key Valuation Revisions & Considerations

**budbee  
instabox**

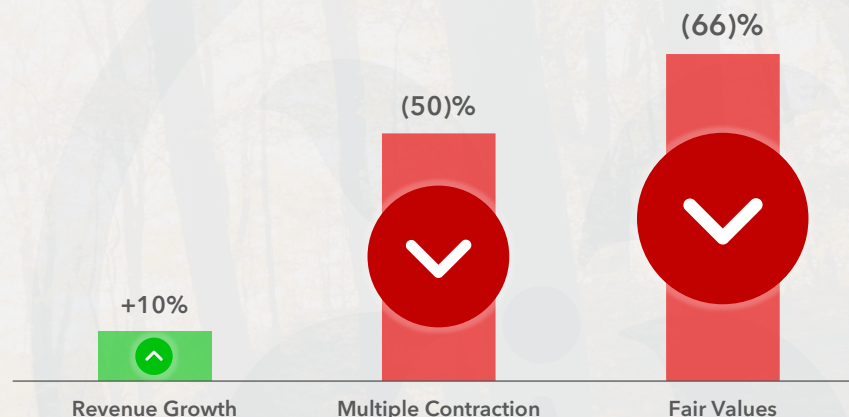
- Swedish e-Commerce volumes down significantly compared to last year
- Synergies being realized, but **growth miss impacts margins negatively** as scale economics not being reached at the envisaged speed
- Multiple contraction of >30% and a >25% cut on 2024E revenue outlook combine to cause this quarter's **48% write-down in Q3 '23** (41% including convertible)

**oda  
Mathem  
vivino**

- Adding Mathem, Oda and Vivino - **our consumer-facing e-Commerce investments are down almost 70% from Q4 '21**
- As a result, their **weight** in our private portfolio and impact going forward has been **cut in half**
- Business environment likely to remain difficult in 2024, albeit with easier Y/Y comparables

### Illustrative Development Since Q4 '21

2022-24 Growth Outlook, NTM Multiples, Value-Weighted Averages



Q4 '21 % Share  
Private Portfolio

14%

7%

Q3 '23 % Share  
Private Portfolio



# IN TOTAL, NET ASSET VALUE WAS DOWN 6% IN Q3 2023, AND OUR NET CASH POSITION AMOUNTED TO SEK 8.1BN PRO FORMA TELE2 DIVIDENDS

## Net Asset Value Development in Q3 2023

● Private Growth, ● Public Growth, ● Tele2, ● Net Cash / (Debt), SEKbn



**Note:** Total Net Asset Value including Other Net Assets / Liabilities  
Kinnevik received SEK 468m in dividends from Tele2 on 13 October



# TRACKING AGAINST OUR PRIORITIES



# WE ARE TRACKING AGAINST OUR 2023 PRIORITIES AND EXPECTATIONS

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OUR 2023

## PRIORITIES

Continued *disciplined* capital allocation

Support and maximize the impact of our *highest-conviction* investments

Minimize capital and exposure to our *lowest-conviction* investments

Pursue *new investments* selectively, leveraging our financial strength and long-term perspective

*Capture opportunities* arising during a period of a risk-averse sentiment

OUR 2023

## EXPECTATIONS

Maintain our momentum of *SEK 5bn* in annual investments

Investments split roughly *50/50* between existing and new companies

Our investees will need to *continuously adapt* to a dynamic and complex economic environment

Continued *crystallization of long-term winners* and investments that will be pruned and transitioned out

Ending the year within a more *stable outlook* for the venture and growth capital ecosystem



 Q & A





WE INVEST FOR A REIMAGINED EVERYDAY