

A low-angle, upward-looking photograph of a building's facade. The image features several large, arched openings with intricate, light-colored relief carvings depicting historical figures and architectural elements. The arches are framed by dark, possibly copper or bronze, metalwork with decorative scrollwork. The building's exterior is made of reddish-brown bricks. The sky is a clear, bright blue. The overall composition creates a sense of height and grandeur.

VEF

The emerging market fintech investor

Interim report
Third quarter and
nine months period 2022

Key events during the quarter

-  VEF welcome Mahaana, Pakistan’s first digital wealth manager to the portfolio. VEF invested USD 1 mln in a USD 2.1 mln seed round making it our third investment in Pakistan.
-  VEF made a follow-on investment of USD 1.9 mln into Rupeek, India’s leading asset-backed digital lending platform.
-  In August a new share buyback program was announced. The purpose of the buyback program is to allow the flexibility to create additional shareholder value at a time when VEF shares trade at significant dislocation to their stated NAV.
-  Total USD NAV flat QoQ while VEF portfolio on a company level delivery remained strong and broadly on forecast through the quarter.

Net asset value

- NAV of VEF’s portfolio as at 3Q22 is USD 444.9 mln (YE21 761.7). NAV per share has decreased by 42.0% to USD 0.42 (YE21: 0.73) per share during 9M22.
- In SEK, NAV equals 5,023 mln (YE21: 6,885). NAV per share has decreased by 27.5% to SEK 4.79 (YE21: 6.61) per share during 9M22.
- Cash position, including liquidity placements, was USD 56.3 mln (YE21: 61.8) at the end of 3Q22.

Financial result

- Net result for 3Q22 was USD 4.8 mln (3Q21: 51.8). Earnings per share were USD 0.01 (3Q21: 0.06).
- Net result for 9M22 was USD -315.8 mln (9M21: 67.5). Earnings per share were USD -0.30 (9M21: 0.08).

The financial result for the quarter reflects a weakening SEK/USD FX rate together with the value of the underlying portfolio remaining essentially flat QoQ (+0.7%). While valuation changes in individual portfolio names were mainly driven by market moves in their respective listed peers, similar to 2Q22, the VEF portfolio delivery on an aggregated level remained strong and broadly on forecast, coupled with some headwinds in certain portfolio currencies.

	Dec 31, 2020	Dec 31, 2021	Sep 30, 2022
Net asset value (USD mln)	388.1	761.7	444.9
Net asset value (SEK mln)	3,178	6,885	5,023
Net asset value per share (USD)	0.47	0.73	0.42
Net asset value per share (SEK)	3.83	6.61	4.79
VEF AB (publ) share price (SEK)	4.04	6.05	2.16

Events after the end of the period

No significant events after the end of the period.

Visit VEF’s IR page for our financial reports and other information: vef.vc/investors



VEF – Investors in one of the strongest secular growth trends across some of the world’s fastest-growing markets

Photo: Muhammad Aqib (Getty Images)

Management report

Dear Fellow Shareholder,

In 1H22, we were quick to go on the defensive as market mood music changed. First, we strengthened our balance sheet, raising our first sustainability bond. At portfolio level, we overly focused on our size holdings, namely Creditas, Konfío and Juspay (67% of portfolio), ensuring they were in a strong capital position to continue to grow at a healthy clip through to planned break even. We then addressed our NAV mark in our 2Q22 filing, given the sell-off in public markets over that YTD period, and rebased it to a more conservative level.

With our defence in place, 3Q22 was a period where we started to lean back on the front foot. Specifically, we spent increasing time in our core investment ecosystems with VC partners, portfolio companies and pipeline. We were back marketing the VEF story to global investors, off strong underlying trends in our portfolio companies and a rebased NAV. Finally, given the dislocation between VEF's share price and the intrinsic value we see in our portfolio, we decided to launch a share repurchase program. This is the most logical thing we can do with any excess capital today – buy back our portfolio of quality private fintech assets at a deep discount to our NAV, a NAV marked to public market peer valuations. At this juncture, VEF is both a value and a growth stock.

Bottom line, we are in a good place, despite plenty of stress and volatility still in the system. It is a window for conservatism and patience, the upside opportunities will come.

Total USD NAV flat QoQ and SEK NAV per share +11% QoQ

We end 3Q22 with a NAV per share of SEK 4.79, up 11% QoQ and up 3% YoY. Total USD NAV ended the quarter at USD 444.9 mln, broadly flat QoQ and off 20% YoY. The 11% weakening of SEK vs USD QoQ drove NAV growth currency differential.

Following a sharp sell-off in 1H22, publicly traded fintech stocks, delivered a more mixed performance in 3Q22. The global fintech indices we track (baskets of publicly traded fintech benchmark stocks) fell 3% QoQ after falling 54% through 1H22. VEF portfolio company level delivery remained strong and broadly on forecast trend through

quarter, while we saw moderate weakness in key portfolio currencies QoQ versus USD, BRL (-4%) and INR (-3%).

It was this mixed set of inputs which saw our USD NAV remain static QoQ. Within that, our valuation mark for our largest holding Creditas saw a moderate 8% QoQ uplift while Konfío remained flat. Still, challenging market and macro forces led to mark downs in BlackBuck and Finja. The mark down in BlackBuck (-29% QoQ) is in line with the decline in trucking marketplace peer multiples over the period, while we marked our holding in Finja to invested cash level, a move given the strain Pakistan is under and a more conservative outlook for the company in the near term as a result. Juspay, we hold at recent investment round mark, which feels conservative given continued strong underlying performance – our confidence continues to grow for the future valuation creation path this key holding is on.

At the end of 3Q22, we sit on USD 56.3 mln of capital.

Creditas 1H22 IFRS update and outlook

In 2Q22 Creditas signed an agreement to acquire Andbank Brazil and announced a top up of its Series F funding round in the process. Post end of 3Q22, the newsflow continued with a first-time release of Creditas financials under IFRS, a positive reporting upgrade and key step on their path to being a public company. In a very clear and value-added release, the company explained key trends YTD and set the narrative for how the business, and most importantly its financials, should positively trend through 2H22 and into 2023, and duly towards IPO. Key summary from the release is worth sharing in this management letter:

- Creditas 1H22 revenues were BRL 846.1 mln (+248% YoY). Portfolio reached BRL 5,040 mln (+151% YoY). FY22 portfolio growth is expected at 100%+. In essence the Creditas growth story continues.
- Creditas experienced operational margin pressure in 1H22. Margins hit 10–11% driven by rising rates given Creditas asset liability mix, coupled with a front loading of credit losses at origination under IFRS. The message to investors is that Creditas tends to experience margin

compression when rates rise and margin expansion as they fall. Margins also come under more pressure in high growth versus steady state periods. Creditas targets operational margins of 40–45% through cycle and there have been periods in the past when margins have gone well north of this. It is worth noting that in September the Brazilian Central Bank pointed to an end of the interest rate raising cycle as inflation is coming under control in Brazil. Stable SELIC (Brazilian overnight rate) and slower relative growth, coupled with the loan portfolio repricing should move Creditas back towards its targeted 40–45% operational margin.

- Creditas has not experienced a significant impact on the quality of their broader credit portfolio and believes that credit quality will remain resilient over the credit cycle.
- Below operational margin, Creditas recognizes two types of costs: (i) Customer Acquisition Costs that, despite generating gross profit over many years due to the long-term nature of the loans they originate, are recognized upfront and (ii) overhead costs. As they continue building their portfolio, the impact of both CAC and overhead comes down on a relative basis as they reach operational leverage due to scale. Creditas expects both costs to come down significantly over the coming quarters as they continue growing out revenues and operational margins well above the evolution of CAC and overhead.

Bottom line from the release – Creditas is on a path to profitability. This path is clearly related to (i) expanding gross profit related to stabilization of interest rates, portfolio repricing and lower impact of frontloading IFRS provisions, (ii) lower impact of customer acquisition cost as portfolio builds and they get higher efficiency in acquiring customers through their own user base and (iii) operational leverage as they continue growing their revenue base to absorb existing overhead that will grow at a significantly lower pace. At VEF, we remain as confident as ever about Creditas. All eventual new economy winners in emerging markets have to stand up and deliver through difficult points in the cycle and we have seen the Creditas team do that on numerous occasions. The analyst in us

loves the way Creditas's financials and their outlook are set up right now – volume growth + widening margins and falling relative costs – the ball is in their court to execute, something they have a super strong track record of doing.

Back on the ground in Brazil

Members of the team were in São Paulo in September for what is fast becoming Brazil's tech week. It was great to spend more time with portfolio companies, investment partners and potential investees in person, in our most important market. General sentiment was of cautious optimism. Caution driven by global macro and politics. Optimism built on the very real impact technology is having by carving out big portions of the economy and growing transformative businesses. There was also a calming reminder that Brazilian entrepreneurs are well versed in dealing with inflation and interest rate cycles.

It was good to interact first-hand with some of the innovations that continue to drive digital transformation, such as Brazil's public payments infrastructure (PIX). It is already facilitating meaningful transaction volumes and can, by any measure, be deemed a huge success. As a firm we see many similarities and differences with the path ahead for Brazil versus India with these innovations in place.

At VEF we feel a strong connection to the Brazilian tech ecosystem where we have found a rhythm, have integrated well and see opportunities continue to come knocking. This trip reminded us in many ways of our first trip there in 2016 – one of the times of greatest opportunity to plant seeds for the next cohort of VEF portfolio companies.

We also spent time in the Middle East, a region that is evolving fast. Dubai is becoming a major global talent hub, while Saudi opening up, has seen its startup ecosystem evolve at a rapid pace in a short period of time. We like Egypt as a long term investment play for our capital and continue to track the fintech ecosystem there closely.

Welcoming Mahaana to the VEF portfolio

In the quarter, VEF invested USD 1 mln into Mahaana, Pakistan's first digital wealth management company and

recent graduate of Y Combinator (renowned US startup incubator). This was part of a larger seed round that included SparkLabs, IGI Holdings and Mattias Martinsson (founder of Tundra Fonder). Mahaana’s platform allows over 50 million working class Pakistanis to better invest their savings and pensions, in a country where the vast majority of savings are made in cash or sit in low-yield bank accounts. The scale of the opportunity is clear when one looks at the deep success of the savings and pension model in Sweden and the 401(k) in the US. Pakistan lags significantly behind in individual savings rates with only c. 250,000 individual investors, 0.02% of a 200 million+ population.

Founded by Shamoan Tariq, a long-time friend and partner of VEF, he is the perfect founder to build this business in his home country, after years spent in asset management across frontier markets (including Pakistan) with Swedish based Tundra Fonder. It is VEF’s third fintech investment into the early-stage scale opportunity market that is Pakistan and allows us to continue our ESG mission of contributing to financial inclusion and well-being in that country. It is yet another great investment fit for our sustainable bond investment mandate.

Closing the discount to NAV

We hate trading at a discount to NAV. It pains us as VEF business builders and shareholders to see our stock trading at a deep discount to NAV. This discount averaged 46% through 3Q22. We understand the many reasons why an investment company like VEF can trade at a deep discount to NAV at a point like this in the macro/market cycle, but we fundamentally disagree with it. Since our very clear exercise at end of 1H22, when we marked our NAV down significantly to be in line with publicly traded fintech multiples, we have watched the discount persist.

That said, we do love the opportunity that our shares trading at this level presents us to create value by buying back our own stock. In August, our Board determined that it was appropriate, given the current market conditions, VEF’s available free cash, the wide discount to NAV at which VEF shares are trading, and the valuation of underlying portfolio positions, to initiate a share buyback program. The program is up to USD 10 mln, and we have bought back 5.8 million VEF shares, (USD 1.3 mln) until the

end of 3Q22, at an average price discount to our 2Q22 NAV mark, of 45%. This is the most obvious investment action in our toolbox right now.

Besides the buyback program, we have a number of other initiatives ongoing to address the discount:

1. Investor and Public Relations – Through 3Q22 we were back on the front foot marketing the VEF story. We marketed in Europe, US and the Middle East with a host of investment banking partners helping us. We have a tier one through cycle investor base, and we intend to continue to broaden and deepen it through this opportune investment window.
2. Fresh investment bank research coverage – In addition to our stock coverage from Pareto, DNB and Nau Securities, since the end of 2Q22, KBW Stifel, the global financials focused investment bank, and Carnegie, the blue-chip Nordic broker, launched research coverage of our stock. We have already seen the benefit of this, as a fresh audience of investors have started to look at and engage with our story and stock.
3. Leveraging off our portfolio companies – Our portfolio companies are by definition our greatest asset and we always want to showcase them. They are private by nature, but we are finding a growing number of ways to get their stories out to investors. Creditas and Konfio recently attended Goldman Sachs excellent annual LatAm fintech conference in New York and met a host of public investors as part of it. Keen to communicate more on our growing Indian fintech portfolio, VEF research team wrote a piece on Rupeek, following one we did on Juspay earlier in 2022 – both are available on our website.

All of the above is layered in off a strong fundamental business and investment case that is VEF. We are just working harder in this window to bring that case back front and centre.

The public and private market divide

We have been debating the differing trends in public versus private markets with our many investors since

inception and this is yet another unique window of that evolving debate. YTD public markets have been quick to de-rate, super-efficient in pricing in a higher risk more volatile environment. Within private markets, which is our core investment domain, companies, on average, are not raising fresh capital unless they have to. Many later stage benchmark private companies raised a lot of capital through 2021 and early 2022 and were well placed coming into this window. This is not a market they want to try and raise in. Those that do need capital or want to add an additional capital buffer, are looking internally first. There remains market support for the better quality companies on this front, and generally via convertible structures versus priced rounds.

Another related trend, to preserve cash positions and prolong runway, many are focusing on costs – nearly every fintech has a cost story now, or at least a heightened efficiency drive. This is no longer perceived as a sign of weakness, but more a market norm today. Many are also focusing on core highest margin generating business lines, to the detriment of new product lines or expansion strategies in this window.

We firmly believe that we are entering a positive vintage for fintech investing. We have experienced this first hand in 2015–16 when macro and markets were at a low ebb and we made some of our highest return investments, notably Tinkoff and iyzico (since exited at c. 60% IRRs) and made our initial investment into Creditas. This clearly excites us, and we are readying ourselves for this.

That said, while financial headlines and public market share price performance tell us there is blood on the street, that this could be a great through cycle investing window for a permanent capital vehicle like VEF – the reality we see as of today is that while we probably are close, we are not there yet. On average, we are not seeing quality private fintech on offer at (or below) public market fintech prices – not outside of our own shares.

Hence, we play the patience card, defend our core positions and buy back our own shares.

Concluding remarks

Post a period of inward focus through 1H22, with a strong defence set up, we were very much back on the front foot in 3Q22, despite a still challenging global backdrop.

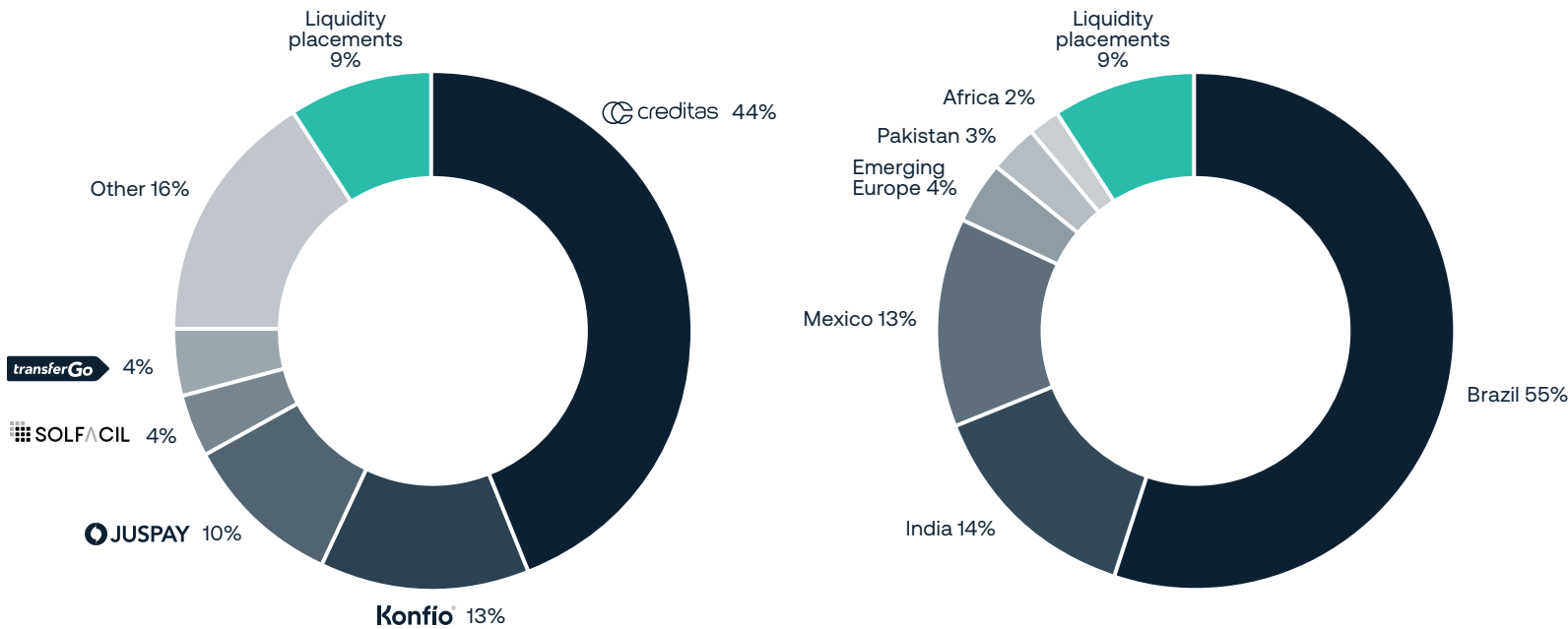
We have stress tested and learned, in this window, that we have a quality portfolio that is proving itself through yet another crisis, as is the way in emerging markets. We also have a great set of through cycle investors, who continue to have our back in windows of macro and market dislocation, something we readily acknowledge and respect. From an investment perspective, patience is key at this time, as we await private markets to settle and the right assets to appear at the right price point. It has become a classic window to buy back our own shares.

At VEF, we invest in fintech across the emerging world, riding one of the strongest multi-year secular growth trends in some of the world’s fastest-growing markets. Long a portfolio of quality emerging markets fintech holdings, while selectively shopping for new holdings, we are as well-positioned as ever to create long term value for our shareholders.

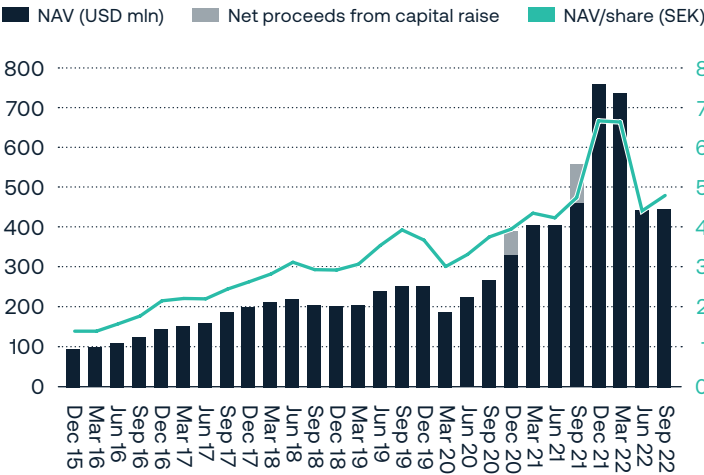
October 2022,
Dave Nangle

VEF in charts

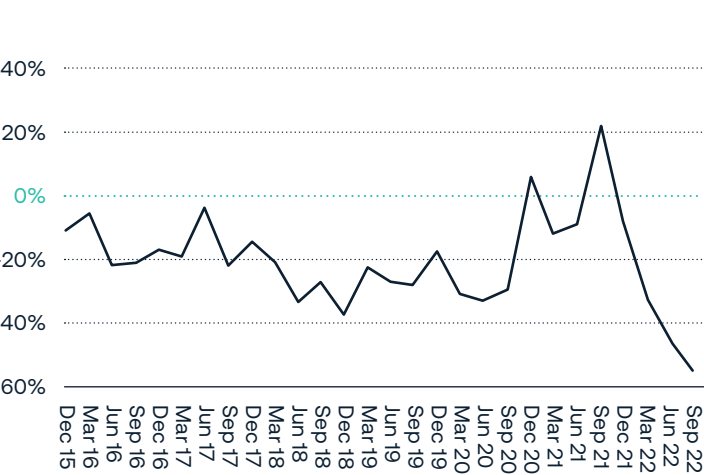
Portfolio composition



NAV evolution



Share premium/discount to NAV



Investment portfolio

Portfolio development

VEF's net asset value per share increased by 0.2% in USD over 3Q22, while VEF's share price in SEK decreased by 7%. During the same period, the MSCI Emerging Markets index* decreased by 12% in USD terms.

Liquidity placements

The Company has investments in money market funds and bonds as part of its liquidity management operations. As at Sep 30, 2022, the liquidity placements are valued at USD 45.5 mln.

Net asset value

The investment portfolio stated at market value (TUSD) at September 30, 2022.

Company	Fair value Sep 30, 2022	Net invested amount	Net investments 2022	Change in fair value 3Q22	Change in fair value 9M22	Fair value Dec 31, 2021	Valuation method	
Creditas	211,328	98,356	–	15,391	-182,795	394,123	Calibration methodology	¹
Konfio	61,099	56,521	–	38	-74,483	135,582	Mark-to-model	¹
Juspay	47,471	21,083	4,098	–	953	42,420	Latest transaction	¹
Solfácil	20,000	20,000	20,000	–	–	–	Latest transaction	¹
TransferGo	16,905	13,877	–	-1,221	-12,366	29,271	Mark-to-model	^{1,2}
Rupeek	15,195	13,858	1,873	134	170	13,152	Latest transaction	^{1,2}
Gringo	12,250	12,250	12,250	–	–	–	Latest transaction	¹
JUMO	8,829	14,614	–	-753	-9,580	18,409	Mark-to-model	
Abhi	7,585	1,798	448	–	5,787	1,350	Latest transaction	¹
FinanZero	7,467	5,163	991	-831	-5,406	11,882	Latest transaction	^{1,2}
BlackBuck	7,120	10,000	–	-2,880	-2,880	10,000	Mark-to-model	¹
Nibo	6,683	6,500	–	7	-5,877	12,560	Mark-to-model	^{1,}
Magnetis	6,040	6,668	1,000	-2,160	-5,486	10,526	Mark-to-model	¹
Finja	2,925	2,925	–	-4,427	-4,426	7,351	Mark-to-model	¹
Mahaana	1,000	1,000	1,000	–	–	–	Latest transaction	¹
minu	424	450	–	63	-26	450	Mark-to-model	¹
REVO	0	6,664	–	–	-13,235	13,235	Mark-to-model	¹
Liquidity placements	45,540	44,300	-1,000	192	-4,102	50,642		¹
Portfolio value	477,861	336,027	40,660	3,553	-313,752	750,953		
Cash and cash equivalents	10,740					11,131		
Other net liabilities	-43,696					-356		
Total net asset value	444,905					761,728		

1. This investment is shown in the balance sheet as financial asset at fair value through profit or loss.
2. Attributable to currency exchange differences.

* The MSCI Emerging Markets Index is a free float weighted equity index that consists of indices in 24 emerging economies.

Portfolio highlights



Creditas announces expansion of Series-F round and released its trading statement for 1H22
Creditas, VEF’s largest portfolio holding, announced the expansion of their Series F funding round with a new investment of USD 50 mln as part of a strategic partnership with Andbank. Creditas maintains its positions as a high growth company, posting revenues of BRL 846 mln in 1H21, a 248% YoY increase.



JUMO earns B Corporation Certification
JUMO has been certified as a B Corporation. The certification recognizes JUMO’s commitment to high standards of social and environmental performance, accountability and transparency.



We invested in Mahaana, Pakistan's first digital wealth management company
VEF co-led Mahaana’s USD 2.1 mln seed round alongside SparkLabs and IGI Holdings in August. Mahaana’s platform will allow over 50 mln working class Pakistanis to better invest their savings and pensions, in a country where the vast majority of savings are made in cash or sit in low-yield bank accounts.

Key valuation considerations



Creditas’ outlook remains strong with 1H22 revenues up 248% YoY. We use the calibration methodology to value the company which saw a small uplift in valuation during the quarter of 8%, equal to USD 15.4 mln.



During the quarter we moved from using the calibration methodology to a mark to model-based valuation based on the elapsed time from the latest transaction in the company. The valuation remained flat vs. 2Q22.



Due to the current strain in Pakistan the short-term outlook for Finja is more conservative and Finja is therefore valued at amortized cost at quarter end, which equal a decrease in value of USD 4.4 mln in 3Q22.

Brazil



Creditas is building an asset focused ecosystem that supports customers in three essential aspects; living (home), mobility (transport) and earning (salary) by providing fintech, insurtech and consumer solutions. One of LatAm’s leading private fintech plays, Creditas is on a clear path towards IPO.
In 4Q21 VEF made a follow-on investment of USD 25 mln into Creditas, in total VEF has invested USD 98 mln into Credits.

- Fair value (USD): 211.3 mln
- Share of VEF’s portfolio: 44.2%
- VEF stake: 8.7%



Solfácil is building a digital ecosystem for solar energy adoption in Brazil. It currently offers digital solar panel marketplace and financing solutions on its platform, allowing the Brazilian consumers to finance and own their solar panels.
In 1Q22, VEF invested USD 20 mln into Solfácil, participating in its USD 100 mln Series C round led by QED and also saw participation from SoftBank and existing investors. The round was subsequently extended to USD 130 mln with an additional USD 30 mln contribution from Fifth Wall in 2Q22.

- Fair value (USD): 20.0 mln
- Share of VEF’s portfolio: 4.2%
- VEF stake: 2.6%



Founded in 2020, Gringo is building a “super-app” for drivers in Brazil and currently offers vehicle-documentation related services, credit and insurance solutions. Gringo is focused on improving drivers’ vehicle ownership journey, which is currently riddled with pain points driven by analogue processes, massive paperwork and broken legacy systems.
In 1Q22, VEF invested USD 12.2 mln into Gringo, leading its USD 34 mln series B round together with Piton Capital which also saw participation from existing investors.

- Fair value (USD): 12.2 mln
- Share of VEF’s portfolio: 2.6%
- VEF stake: 10.2%



FinanZero is the leading online credit marketplace in Brazil, acting as an independent broker to give millions of customers access to credit from a network of 60 lenders at the best rates and terms in the market in one search.
VEF made its initial investment into FinanZero in 2016, with the latest follow-on investment of USD 1 mln taking place in 2Q22.

- Fair value (USD): 7.5 mln
- Share of VEF’s portfolio: 1.6%
- VEF stake: 18.4%

nibo

Nibo is the leading accounting SaaS provider in Brazil, transforming the way accountants and SMEs interact. Nibo service over 350 thousand SMEs through 3,700 accountants on their platform.

Since VEFs initial investment into Nibo in 2Q17 VEF made two follow-on investments in 2019 and 2020 and has in total invested USD 6.5 mln.



Fair value (USD):
6.7 mln



Share of VEF's portfolio:
1.4%



VEF stake:
20.1%

magnetis

Magnetis is a digital investment advisor democratizing access to affordable and easy-to-use investment management. Magnetis offer customers a simple, digital tool to manage their wealth.

Since 3Q17 VEF has invested USD 6.7 mln into Magnetis with the latest investment of USD 1.0 mln made in 2Q22.



Fair value (USD):
6.0 mln



Share of VEF's portfolio:
1.3%



VEF stake:
17.1%

India

JUSPAY

Juspay is India's leading payment technology company offering a unifying layer of products and value-added services to merchants, thereby enabling them to improve their conversion rates. Juspay has played a key role in India's payment transformation and is present on 300 mln+ smartphones and processing USD 90 bln+ annualized TPV.

VEF has made a cumulative investment of USD 21 mln into Juspay, investing USD 13 mln leading its broader Series B round and investing USD 8 mln in its series C round.



Fair value (USD):
47.5 mln



Share of VEF's portfolio:
9.9%



VEF stake:
9.9%

Rupeek

Rupeek is one of India's leading asset-backed digital lending platform offering low interest rate gold loans to consumers at their doorsteps. Rupeek is building products to make credit accessible to Indian households, which hold over 25,000 tonnes of gold worth c. USD 1.5 tln.

In 4Q21 Rupeek raised USD 34 mln in an investment round led by Lightbox with a participation of USD 5 mln from VEF. In total VEF has invested USD 14 mln into Rupeek.



Fair value (USD):
15.2 mln



Share of VEF's portfolio:
3.2%



VEF stake:
2.3%

BLACKBUCK

BlackBuck is the largest online trucking platform in India digitizing fleet operations for truckers (payments solutions around tolls and fuel) and operating a marketplace matching trucks with relevant loads. BlackBuck represents VEF's first investment in the 'embedded fintech' space.

VEF made its initial USD 10 mln investment into BlackBuck in 3Q21.



Fair value (USD):
7.1 mln



Share of VEF's portfolio:
1.5%



VEF stake:
1.0%

Mexico

Konfio

Konfio builds digital banking and software tools to boost SME growth and productivity in Mexico through three core offerings: credit, payments and SaaS.

VEF has invested a total of USD 56.6 mln in Konfio since 2Q18, most recently participating in Konfio's USD 110 mln Series E2 round led by Tarsadia Capital in 3Q21.



Fair value (USD):
61.1 mln



Share of VEF's portfolio:
12.8%



VEF stake:
10.3%

minu

minu is an employee financial wellness company and the market leader for salary-on-demand in Mexico. minu solves the liquidity gap experienced by employees between paychecks by offering instant access to their earned wages ahead of payday.

VEF made its initial investment of USD 0.5 mln into minu in 1Q21.



Fair value (USD):
0.4 mln



Share of VEF's portfolio:
0.1%



VEF stake:
1.2%

Emerging Europe

transferGo

TransferGo provides low-cost, fast, reliable digital money transfer services to migrants across Europe, with customers paying up to 90% less compared by using banks and have their money delivered securely in minutes.

VEF first invested in TransferGo in 2Q16 and has invested a total of USD 13.9 mln into the company.



Fair value (USD):
16.9 mln



Share of VEF's portfolio:
3.5%



VEF stake:
12.3%

Pakistan



Abhi is a financial wellness company for businesses and their employees in Pakistan, offering earned wage access, invoice factoring and payroll solutions.

VEF led Abhi's Seed round in 2Q21 and has invested a total of USD 1.8 mln into the company, most recently participating in Abhi's Series A with an investment of USD 0.5 mln in 2Q22.



Fair value (USD):
7.6 mln



Share of VEF's portfolio:
1.6%



VEF stake:
11.5%



Finja is a digital lending platform for SMEs in Pakistan, and also operates a HR platform where companies can manage day-to-day functions such as payroll, invoicing and payments.

VEF has invested a total of USD 2.9 mln into Finja since 2016.



Fair value (USD):
2.9 mln



Share of VEF's portfolio:
0.6%



VEF stake:
22.0%



Mahaana is Pakistan's first digital wealth management company, building a platform to allow working class Pakistanis to better invest their savings and pensions in a market where the individual savings rate significantly lags peers.

VEF invested USD 1 mln into Mahaana as part of their seed round in 3Q22, co-leading the USD 2.1 mln round with SparkLabs Group and local strategic partner IGI Holdings.



Fair value (USD):
1.0 mln



Share of VEF's portfolio:
0.2%



VEF stake:
13.8%

Africa



JUMO is a full technology stack for financial services that enables partner banks to reach millions of new customers with credit and savings products at affordable prices whilst making predictable returns, where more than half of these customers are interacting with a financial institution for the first time.

In 4Q21 JUMO raised USD 120 mln from new and existing investors in a round led by Fidelity Management, Visa and Kingsway. VEF has invested a total of USD 14.6 mln in JUMO since 2015.



Fair value (USD):
8.8 mln



Share of VEF's portfolio:
1.8%



VEF stake:
4.6%

Financial information

Investments

Total gross investments in financial assets during 9M22 were USD 76.7 mln.

During 1Q22 VEF invested USD 32.2 mln into two new portfolio companies. USD 20.0 mln into Solfácil, Brazil's largest digital solar panel marketplace and financing platform and USD 12.2 mln into Brazilian Gringo and their super-app and one-stop shop for drivers.

During 2Q22 VEF deployed an additional USD 6.6 mln into the current portfolio. Follow-on investments were made into Juspay (USD 4.1 mln), FinanZero (USD 1.0 mln), Magnetis (USD 1.0 mln) in form of a SAFE note, and Abhi (USD 0.5 mln). VEF also took up its right and converted the outstanding SAFE note in Abhi (USD 0,5 mln) to shares in the company. USD 35.0 mln was also invested in liquidity placements during the quarter.

During 3Q22 VEF invested USD 1.0 mln into new portfolio company Mahaana, Pakistan's first digital wealth management company. VEF also deployed an additional USD 1.9 mln into portfolio company Rupeek.

Divestments

Gross divestments in financial assets during 9M22 were USD 36.0 mln, of which all relates to divestments in liquidity placements.

Share info

VEF AB (publ)'s share capital per September 30, 2022, is distributed among 1,106,675,373 shares with a par value of SEK 0.01 per share. For more information on the share capital please refer to Note 5.

Share repurchases

In August VEF announced that the Board of Directors had approved a new share buyback program based on the mandate from the annual general meeting of the Company on May 10, 2022.

The new buyback program allows VEF to buy shares for a maximum of USD 10 mln in total. The purpose of the buyback program is to allow the Company the flexibility to create additional shareholder value and optimize the Company's capital structure as and when deemed appropriate by reducing the Company's share capital. As per the end of 3Q22 the company holds 5,833,961 repurchased shares.

Group – results for 9M22

During 9M22, the result from financial assets at fair value through profit or loss amounted to USD -313.8 mln (9M21: 73.9).

- Coupon income were USD 0.3 mln (9M21: 0.3).
- Operating expenses amounted to USD -6.1 mln (9M21: -6.2).
- Net financial items were USD 3.6 mln (9M21: -0.4).
- Net result was USD -315.8 mln (9M21: 67.5).
- Total shareholders' equity amounted to USD 444.9 mln (YE21: 761.7).

Consolidated income statement

Group – results for 3Q22

During 3Q22, the result from financial assets at fair value through profit or loss amounted to USD 3.6 mln (3Q21: 54.3).

- Coupon income were USD 0.1 mln (3Q21: 0.1).
- Operating expenses amounted to USD -1.4 mln (3Q21: -2.2).
- Net financial items were USD 2.6 mln (3Q21: -0.5).
- Net result was USD 4.8 mln (3Q21: 51.8).

The financial result for the quarter reflects a weakening SEK/USD FX rate together with the value of the underlying portfolio remaining essentially flat QoQ (+0.7%). While valuation changes in individual portfolio names were mainly driven by market moves in their respective listed peers, similar to 2Q22, the VEF portfolio delivery on an aggregated level remained strong and broadly on forecast, coupled with some headwinds in certain portfolio currencies.

Liquid assets

The liquid assets of the Group, defined as cash and bank deposits, amounted to USD 10.7 mln on September 30, 2022 (YE21: 11.1). The Company also has placements in money market funds and bonds, as part of its liquidity management operations. As of September 30, 2022, the liquidity placements are valued at USD 45.5 mln (YE21: 50.6).

Parent company

The parent company, VEF AB (publ) is the holding company of the Group. The net result for 9M22 was SEK 142.5 mln (9M21: 28.7). VEF AB (publ) is the parent of four wholly owned subsidiaries; VEF Cyprus Limited, VEF Fintech Ireland Limited, VEF Service AB (under liquidation) and VEF UK Ltd. VEF AB (publ) is the direct shareholder of three portfolio companies (BlackBuck, Juspay and Rupeek).

Current market environment

Following what was a difficult window for global financial markets in 1H22, 3Q22 showcased a mixed but on average positive quarter for publicly traded fintech stocks. Markets currently have a stronger appetite for profitable stocks compared to growth-oriented assets. Inflation levels remain high and interest rate hikes are very real, collectively creating a low visibility and a risk-off mode environment. During the quarter VEF has traded at a deep discount to the latest reported NAV, similar to many global peers and other listed fintech stocks. On a VEF group level, the financial position remains strong with a solid balance sheet and a USD 56.3 mln cash position at the end of the quarter, expected to be more than sufficient to support current portfolio over the coming twelve-months period. Importantly, the largest companies in our portfolio remain well funded following recent capital raises in 1H22 and we forecast the majority of our portfolio to continue growing at healthy levels, albeit at a somewhat slower pace to extend runway and financial flexibility. The negative impact on our portfolio is market-related in the short to medium term, affecting the respective valuations which may impact the ability to raise additional capital further on. Across the board, our portfolio companies have launched cost saving initiatives to extend runway and have plans in place to get to break even with the current funding levels.

Write-down of holdings with exposure to Russia

VEF has one equity holding (REVO), in addition to liquidity placements (Tinkoff bonds) with direct or partial exposure to Russia, equivalent to 2.3% of YE21 NAV. VEF wrote down the holdings in REVO and Tinkoff bonds to zero in 1Q22. As the situation in Russia remains highly uncertain, the valuations are kept unchanged at zero in 3Q22. Nevertheless, Tinkoff has honoured coupon payments and has followed through with the latest payments as planned in March, June and September 2022.

Expressed in USD thousands	Note	9M 2022	9M 2021	3Q 2022	3Q 2021
Result from financial assets at fair value through profit or loss	4	-313,752	73,878	3,553	54,345
Coupon income		293	292	98	97
Other income		179	8	15	8
Administrative and operating expenses		-6,127	-6,230	-1,426	-2,213
Operating result		-319,407	67,948	2,240	52,237
Financial income and expenses					
Interest income		-	62	-	-
Interest expense		-1,785	-	-1,091	-
Currency exchange gains/losses, net		5,380	-472	3,720	-463
Net financial items		3,595	-410	2,629	-463
Result before tax		-315,812	67,538	4,869	51,774
Taxation		-31	-14	-30	-
Net result for the period		-315,843	67,525	4,839	51,774
Earnings per share, USD		-0.30	0.08	0.01	0.06
Diluted earnings per share, USD		-0.30	0.08	0.00	0.06

Statement of other comprehensive income

Expressed in USD thousands	9M 2022	9M 2021	3Q 2022	3Q 2021
Net result for the period	-315,843	67,525	4,839	51,774
Other comprehensive income for the period:				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	-	-5	-	26
Total other comprehensive income for the period	-	-5	-	26
Total comprehensive income for the period	-315,843	67,520	4,839	51,800

Total comprehensive income for the periods above is entirely attributable to the equity holders of the Company.

Consolidated balance sheet

Expressed in USD thousands	Note	Sep 30, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Tangible non-current assets			
Property, plant and equipment		12	102
Total tangible non-current assets		12	102
Financial non-current assets			
Financial assets at fair value through profit or loss	4		
Equity financial assets		432,321	700,311
Liquid financial assets		45,540	50,642
Other financial assets		21	27
Total financial non-current assets		477,882	750,980
CURRENT ASSETS			
Tax receivables		22	109
Other current receivables		457	387
Prepaid expenses and accrued income		117	138
Cash and cash equivalents		10,740	11,131
Total current assets		11,336	11,765
TOTAL ASSETS		489,230	762,847
SHAREHOLDERS' EQUITY (including net result for the financial period)		444,905	761,728
NON-CURRENT LIABILITIES			
Long-term debt	6	43,180	–
Total non-current liabilities		43,180	–
CURRENT LIABILITIES			
Accounts payable		50	138
Tax liabilities		–	51
Other current liabilities		153	534
Accrued expenses		942	396
Total current liabilities		1,145	1,119
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		489,230	762,847

Consolidated statement of changes in equity

Expressed in USD thousands	Note	Share capital	Additional paid in capital	Retained earnings	Total
Balance at Jan 1, 2021		–	–	388,066	388,066
Net result 9M21		–	–	67,525	67,525
Other comprehensive income for the period					
Currency translation difference		–	–	-5	-5
Total comprehensive income for the period		–	–	67,520	67,520
Transactions domicile change:					
- Issuance of share capital		1,006	–	-1,006	0
- Issuance of LTIP 2019 Plan shares		14	–	-14	0
- Issuance of LTIP 2020 Plan shares		39	–	-39	0
Transactions with owners:					
- Directed rights issue		238	97,192	–	97,430
Value of employee services:					
- Employee share option scheme		–	5	324	329
- Share based long-term incentive program		10	114	142	266
Balance at Sep 30, 2021		1,307	97,311	454,993	553,611

Balance at Jan 1, 2022		1,308	97,440	662,980	761,728
Net result 9M22		–	–	-315,843	-315,843
Other comprehensive income for the period					
Currency translation difference		–	–	–	–
Total comprehensive income for the period		-	-	-315,843	-315,843
Value of employee services:					
- Employee share option scheme	7	–	8	–	8
- Share based long-term incentive program	8	10	261	–	271
Buyback of own shares		–	-1,259	–	-1,259
Balance at Sep 30, 2022		1,318	96,450	347,137	444,905

Consolidated statement of cash flows

Expressed in USD thousands	9M 2022	9M 2021	3Q 2022	3Q 2021
OPERATING ACTIVITES				
Result before tax	-315,812	67,538	4,869	51,774
Adjustment for non-cash items:				
Interest income and expense, net	1,785	-62	1,091	-
Currency exchange gains/-losses, net	-5,380	472	-3,720	463
Depreciations	91	77	14	27
Result from financial assets at fair value through profit or loss	313,752	-73,878	-3,553	-54,345
Result from long term receivables	-	-27	-	-27
Other non-cash items affecting profit or loss	273	234	99	119
Adjustment for cash items				
Coupon income	-293	-292	-98	-97
Change in current receivables	-1,864	-257	-322	-211
Change in current liabilities	-293	884	-827	691
Net cash used in operating activities	-7,741	-5,311	-2,447	-1,606
Investments in financial assets	-76,660	-136,712	-2,873	-104,269
Sales of financial assets	36,000	49,601	3,000	13,101
Repayment of short-term loan receivables	-	2,176	-	-
Coupon income	293	292	98	97
Interest received	-	62	-	-
Net cash flow used in operating activities	-48,108	-89,892	-2,222	-92,677
FINANCING ACTIVITIES				
Proceeds from sustainability bonds	53,080	-	-	-
Interest paid on sustainability bonds	-908	-	-908	-
Proceeds from directed rights issue, net	-	97,430	-	97,430
Buybacks of own shares	-1,259	-	-1,259	-
Proceeds from new share issue through employee options	10	324	10	10
Net cash flow from/used in financing activities	50,923	97,754	-2,157	97,440
Change in cash and cash equivalents	2,815	7,862	-4,379	4,763
Cash and cash equivalents at the beginning of the period	11,131	4,224	15,759	7,167
Exchange gains/losses on cash and cash equivalents	-3,206	-625	-640	-469
Cash and cash equivalents at the end of the period	10,740	11,461	10,740	11,461

Alternative performance measures

Alternative Performance Measures (APMs) are financial measures other than financial measures defined or specified by International Financial Reporting Standards (IFRS) and have been issued by ESMA (the European Securities and Markets Authority).
VEF regularly uses alternative performance measures to enhance comparability from period to period and to give deeper information and provide meaningful supplemental information to analysts, investors and other parties.

It is important to know that not all companies calculate alternative performance measures identically, therefore these measurements have limitations and should not be used as a substitute for measures of performance in accordance with IFRS.
Below you find our presentation of the APMs and how we calculate these measures.

	Sep 30, 2022	Sep 30, 2021
Net asset value, USD	444,904,568	553,610,504
Exchange rate at balance sheet date, USD/SEK	11.29	8.74
Net asset value/share, USD	0.42	0.53
Net asset value/share, SEK	4.79	4.64
Net asset value, SEK	5,022,913,557	4,837,307,583
Share price, SEK	2.16	5.66
Premium/discount(–) to NAV	-54.9%	21.9%
Weighted average number of shares for the financial period ¹	1,045,419,561	860,077,467
Weighted average number of shares for the financial period, fully diluted ^{1,2}	1,045,419,561	860,757,292
Number of shares at balance sheet date ¹	1,048,856,017	1,041,789,978
Number of shares at balance sheet date, fully diluted ^{1,2}	1,048,856,017	1,042,469,803

1. Number of shares does not include the 51,985,395 redeemable common shares issued under the 2020, 2021 and 2022 long-term incentive programs as well as the 5,833,961 repurchased shares.
2. Dilution from shares under long-term-incentive programs only occur when the incentive program’s conditions of the respective program are fulfilled and if the shares have yet not been converted. As such, number of shares fully diluted is not adjusted for 51,985,395 redeemable common shares (Class C shares) issued under the 2020, 2021 and 2022 long-term incentive program as at the end of the period the conditions of the respective programs are not fulfilled.

Reconciliation tables

	Sep 30, 2022	Sep 30, 2021
Net asset value, USD	444,904,568	553,610,504
Net asset value, SEK		
Net asset value, USD	444,904,568	553,610,504
SEK/USD	11.29	8.74
Net asset value, SEK	5,022,913,557	4,837,307,583
Net asset value/share, USD		
Net asset value, USD	444,904,568	553,610,504
Number of outstanding shares	1,048,856,017	1,041,789,987
Net asset value/share, USD	0.42	0.53
Net asset value/share, SEK		
Net asset value, USD	444,904,568	553,610,504
SEK/USD	11.29	8.74
Net asset value, SEK	5,022,913,557	4,837,307,583
Number of outstanding shares	1,048,856,017	1,041,789,987
Net asset value/share, SEK	4.79	4.64
Premium/discount(–) to NAV		
Net asset value, USD	444,904,568	553,610,504
SEK/USD	11.29	8.74
Net asset value, SEK	5,022,913,557	4,837,307,583
Number of outstanding shares	1,048,856,017	1,041,789,978
Net asset value/share, SEK	4.79	4.64
Share price, SEK	2.16	5.66
Premium/discount(–) to NAV	-54.9%	21.9%

Parent company income statement

Alternative performance measures

Net asset value (NAV), USD

Net value of all assets on the balance sheet, equal to the shareholders’ equity.

Net asset value per share, USD

Net asset value/share is defined as shareholders’ equity divided by total number of outstanding shares.

Net asset value, SEK

Net asset value in USD multiplied with the USD/SEK exchange rate at balance sheet date.

Net asset value per share, SEK

Net asset value/share is defined as shareholders’ equity divided by total number of outstanding shares multiplied with the USD/SEK exchange rate at balance sheet date.

Traded premium/discount to net asset value

Traded premium/discount to NAV is defined as the share price divided to the net asset value/share.

Number of shares, fully diluted

Diluted basis considers the total number of outstanding common shares as well as the shares that could be claimed through the conversion of outstanding share options and Series C shares under the long-term incentive programs when the program’s conditions has been fulfilled and the shares have not yet been converted.

Other definitions

Portfolio value

Total book value of financial assets held at fair value through profit and loss.

Earnings per share

Earnings/share is defined as the result for the period divided by average weighted number of shares for the period.

Diluted earnings per share

Diluted earnings/share is defined as the result for the period divided by average number of shares for the period fully diluted.

Expressed in SEK thousands	9M 2022	May 28– Sep 30, 2021	3Q 2022	3Q 2021
Result from financial assets at fair value through profit or loss	193,599	46,073	104,522	46,073
Coupon income	2,975	836	1,049	836
Other income	139	–	139	–
Administrative and operating expenses	-40,574	-13,227	-10,089	-13,227
Operating result	156,139	33,682	95,621	33,682
Financial income and expenses				
Interest expense	-18,969	–	-11,931	–
Currency exchange gains/losses, net	5,328	-4,988	1,917	-4,988
Net financial items	-13,641	-4,988	-10,014	-4,988
Result before tax	142,498	28,694	85,607	28,694
Taxation	–	–	–	–
Net result for the period	142,498	28,684	85,607	28,684

The Parent Company have no items to account for as other comprehensive income and therefore the net result for the period is equal to the total comprehensive income for the period.

Parent company balance sheet

Expressed in SEK thousands	Note	Sep 30, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Financial non-current assets			
Shares in subsidiaries		2,348,782	2,027,853
Financial assets at fair value through profit or loss			
Equity financial assets		787,883	592,653
Liquid financial assets		514,145	457,709
Other financial assets		50	244
Total financial non-current assets		3,650,860	3,078,459
CURRENT ASSETS			
Tax receivables		178	102
Other current receivables		5,014	3,102
Other current receivables, Group		9,368	11,028
Prepaid expenses and accrued income		1,164	1,245
Cash and cash equivalents		100,822	46,011
Total current assets		116,546	61,488
TOTAL ASSETS		3,767,406	3,139,947
SHAREHOLDERS' EQUITY (including net result for the financial period)	5	3,264,286	3,132,572
NON-CURRENT LIABILITIES			
Long-term debts	6	487,500	–
Total non-current liabilities		487,500	–
CURRENT LIABILITIES			
Accounts payable		415	995
Other current liabilities, Group		3,501	2,744
Other current liabilities		1,145	588
Accrued expenses		10,559	3,048
Total current liabilities		15,620	7,375
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,767,406	3,139,947

Parent company statement of changes in equity

Expressed in SEK thousands	Note	Share capital	Additional paid in capital	Retained earnings	Total
Balance at May 28, 2021		–	–	–	–
Net result May 28–Sep 30, 2021		–	–	28,694	28,694
Transactions domicile change:					
- Issuance of share capital		8,345	–	–	8,345
- Issuance of LTIP 2019 Plan shares		124	–	–	124
- Issuance of LTIP 2020 Plan shares		333	–	–	333
- Shareholders contribution		–	–	2,116,926*	2,116,926*
Transactions with owners:					
- Proceeds from directed rights issue, net		2,073	847,188	–	849,261
Value of employee services:					
- Employee share option scheme		–	44	–	44
- Share based long-term incentive program		83	999	–	1,082
Balance at Sep 30, 2021		10,958	848,231	2,145,620	3,004,809
Balance at Jan 1, 2022		10,963	849,376	2,272,233	3,132,572
Net result 9M22		–	–	142,498	142,498
Other comprehensive income for the period					
Currency translation difference		–	–	–	–
Total comprehensive income for the period		–	–	142,498	142,498
Value of employee services:					
Employee share option scheme	7	–	81	–	81
Share based long-term incentive program	8	104	2,667	–	2,771
Buyback of own shares		–	-13,636	–	-13,636
Balance at Sep 30, 2022		11,067	838,488	2,414,731	3,264,286

* Transfer of all VEF Ltd's assets to VEF AB (publ) due to the redomestication from Bermuda to Sweden.

Notes

(Expressed in USD thousand unless indicated otherwise)

Note 1

General information

VEF AB (publ) was incorporated as a shelf company on December 7, 2020 but changed name to VEF AB (publ) and became active on May 28, 2021. The registered office is at Mäster Samuelsgatan 1, 111 44 Stockholm, Sweden. The common shares of VEF AB (publ) are listed on Nasdaq Stockholm Main Market with the ticker VEFAB. The common shares of VEF AB (publ) replaced the Swedish Depository Receipts representing shares in VEF Ltd. with effect as from July 5, 2021, in connection with the transfer of domicile of the group from Bermuda to Sweden.

As of September 30, 2022, the VEF Group consists of the Swedish Parent Company VEF AB (publ) and four wholly owned subsidiaries; VEF Cyprus Limited, VEF Fintech Ireland Limited, VEF Service AB (under liquidation), and VEF UK Ltd. VEF Cyprus Limited act as the main investment vehicle for the group, holding fourteen of seventeen investments at balance date. VEF AB (publ) holds the remaining three (BlackBuck, Juspay and Rupeek) and act as a service company, together with VEF Fintech Ireland Limited and VEF UK Ltd, providing business and investment support services to the Group.

The financial year is January 1–December 31.

Parent company

The Parent Company VEF AB (publ) is a Swedish limited liability company, incorporated in Sweden and operating under Swedish law. VEF AB (publ) is the holding company of the Group and directly owns all the companies in the Group. The net result for 9M22 was SEK 142.5 mIn (9M21: 28.7). VEF AB (publ) was incorporated on December 7, 2020, and became active on May 28, 2021. The parent company has four employees per September 30, 2022.

Accounting principles

This interim report has, for the Group, been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The financial reporting for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities, issued by the Swedish Financial Reporting Board.

Under Swedish company regulations it is not allowed to report the Parent Company results in any other currency than SEK or EUR and consequently the Parent Company’s financial information is reported in SEK and not the Group’s reporting currency of USD.

The accounting principles in the 2021 Annual Report sets out the principles for the Group and the Parent company.

Note 2 — Financial and operating risks

For a detailed account of risks associated with investing in VEF and VEF’s business, please see the 2021 Annual Report, Note 2.

Note 3 — Related party transactions

Related party transactions for the period are of the same character as described in the 2021 Annual Report. During the period VEF has recognized the following related party transactions:

	Operating expenses		Current liabilities	
	9M22	9M21	9M22	9M21
Key management and Board of Directors ¹	2,533	3,125	–	–

1. Compensation paid or payable includes salary, bonus, and share based remuneration to the management and remuneration to the Board members.

Note 4 — Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Investments in assets that are not traded on any market will be held at fair value determined by recent transactions made at prevailing market conditions or different valuation models depending on the characteristics of the company as well as the nature and risks of the investment. These different techniques may include discounted cash flow valuation (DCF), exit-multiple valuation also referred to as leveraged buyout (LBO) valuation, asset-based valuation as well as forward look-ing multiples valuation based on comparable traded companies (peer companies). Usually, transaction-based valuations are kept unchanged for a period of twelve months unless there is cause for a significant change in valuation. After twelve months, the fair value for non-traded assets will normally be derived through any of the models described above.

The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment’s fair value, the valuation is adjusted accordingly. The transaction-based valuations are also frequently assessed using multiples of comparable traded companies for each unlisted investment or other valuation models when warranted.

VEF follows a structured process in assessing the valuation of its unlisted investments. VEF evaluates company specific and external data relating to each specific investment on an ongoing basis. The data is then assessed at quarterly valuation meetings by senior management. If internal or external factors are deemed to be significant, further assessment is under-taken and the specific investment is revalued to the best fair value estimate. Revaluations are first reviewed by the Audit Committee and later approved by the Board of Directors in connection with the Company’s financial reports.

The fair value of financial instruments is measured by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Investments are moved between levels in the fair value hierarchy when the management finds the best suitable valuation technique has changed and that the current applied technique results in a new classification in the fair value hierarchy compared to the prior period.

Assets measured at fair value at Sep 30, 2022

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	45,540	110,968	321,353	477,861
of which:				
Liquidity placements	45,540	–	–	45,540
Shares	–	110,968	318,921	429,889
Convertible and SAFE notes	–	–	2,432	2,432
Total assets	45,540	110,968	321,353	477,861

Assets measured at fair value at Dec 31, 2021

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	50,642	674,517	25,794	750,953
of which:				
Liquidity placements	50,642	–	–	50,642
Shares	–	649,012	24,434	673,446
Convertible and SAFE notes	–	25,505	1,360	26,865
Total assets	50,642	674,517	25,794	750,953

Changes of financial assets in Level 3

	9M22	9M21
Opening balance Jan 1	25,794	158,181
Transfers from Level 2 to Level 3 ¹	605,712	–
Transfers from Level 3 to Level 2 ¹	–	-110,699
Change in fair value	-310,153	6,978
Closing balance Sep 30	321,353	54,460

1. No deviations have been made from established guidelines regarding valuation techniques and transfers of assets between levels in the hierarchy.

As per September 30, 2022, VEF has a liquidity management portfolio of listed corporate bonds and money market funds that are classified as Level 1 investments.

The investments in Creditas, Konfio, TransferGo, JUMO, BlackBuck, Nibo, Magnetis, Finja, minu and REVO are classified as Level 3 investments. The remaining portfolio companies are classified as Level 2 investments. During 9M22, Creditas, Konfio, TransferGo, JUMO, BlackBuck, Magnetis, Finja and minu have been transferred from Level 2 to Level 3. No holdings have been transferred from Level 3 to Level 2.

Transaction-based valuations

Holdings classified as Level 2 investments are valued based on the latest transaction in the company, on market terms. The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment’s fair value, the valuation is adjusted accordingly. The transaction-based valuations are frequently assessed using multiples of comparable traded companies for each unlisted investment or other valuation models. When transaction-based valuations of unlisted holdings are used, no material event is deemed to have occurred in the specific portfolio company that would suggest that the transaction-based value is no longer valid. During 3Q22, the portfolio experienced moderate currency headwinds across the board. The holdings valued on the basis of the latest transactions all demonstrate strong revenue growth profiles and are set to deliver growth broadly in line with their respective business plans on which the latest transaction was based.

Company	Valuation method	Date latest transaction
Abhi	Latest transaction	2Q22
FinanZero	Latest transaction	2Q22
Gringo	Latest transaction	1Q22
Juspay	Latest transaction	2Q22
Mahaana	Latest transaction	3Q22
Rupeek	Latest transaction	3Q22
Solfácil	Latest transaction	2Q22

Calibration methodology-based valuations

In 3Q22, we use the calibration methodology in our portfolio valuation process. The calibration methodology specifically helps us calibrating valuations of companies with recently closed priced investment rounds and where the implied valuation multiple has moved significantly out of sync with our pre-determined comp group based of a sharp decline in public markets. The methodology is a fair tool for reflecting dramatically changing market conditions ahead of moving to full mark-to-model.

Inputs used for the valuation include risk adjusted revenue forecasts, currency moves and the implied revenue multiple paid at the time of the latest transaction relative to a relevant peer group adjusted for market moves in the same peer group as of September 30, 2022. At the end of the third quarter, one company, Creditas, was valued using the calibration methodology.

Mark-to-model-based valuations

Konfio, TransferGo, JUMO, BlackBuck, Nibo and minu are all valued on the basis of a twelve-months forward looking revenue multiple while Magnetis is based on a relative multiple to AUM. Finja is valued to the gross invested amount given the strain Pakistan is under resulting in a more cautious outlook for the company in a near term future. REVO’s valuation model, in light of the geo-political situation in Russia, was assigned a liquidity discount of 100% in 1Q22, bringing the fair value to zero which remains in 3Q22. Inputs used for each valuation include risk adjusted revenue- and earnings forecasts, local currency moves and listed peer group revenue multiples as of September 30, 2022.

The difference in fair value change between the portfolio companies is dependent on relative revenue forecasts in each company as well as moves in the relevant peer group and moving exchange rates. Peers used in the 3Q22 peer set include a mix of listed emerging- and developed market companies representing accounting SaaS- and BNPL-companies, digitally focused wealth managers, fast growth payments companies and a range of Latin American fintech companies. The NTM multiples across the different peer groups per company and valuation range from 1.4x to 10.1x NTM revenues. As a standard process, the median of each group is used, and in applicable cases VEF will adjust the resulting multiple based on prevailing local market conditions, sector and company specific factors, applying discounts or premiums to reflect the fair value of the company.

Below table summarizes the sensitivity of the assets value to changes in the underlying multiple used for the valuation.

Sensitivity analysis of valuations based on changes in peer group multiples used

Company	Valuation method	Peer group range	-15%	-10%	-5%	0%	+5%	+10%	+15%
Creditas	Calibration methodology	1.4–3.7x	180,855	191,012	201,170	211,328	221,485	231,643	241,801
Konfio	Revenue multiple	1.4–10.1x	54,049	56,399	58,749	61,099	63,449	65,799	68,150
TransferGo	Revenue multiple	1.9–7.2x	14,660	15,408	16,157	16,905	17,653	18,402	19,150
JUMO	Revenue multiple	1.8–8.6x	7,632	8,031	8,430	8,829	9,228	9,627	10,026
BlackBuck	Revenue multiple	2.8–5.3x	6,154	6,476	6,798	7,120	7,442	7,764	8,086
Nibo	Revenue multiple	5.4–8.2x	5,801	6,095	6,389	6,683	6,977	7,271	7,565
Magnetis	AUM multiple	5.2–74.4%	5,204	5,483	5,762	6,040	6,319	6,598	6,876
minu	Revenue multiple	2.4–5.4x	375	391	408	424	441	458	474

Change in financial assets at fair value through profit or loss

Company	Jan 1, 2022	Investments/ (divestments), net	Fair value change	Sep 30, 2022	Percentage of portfolio
Creditas	394,123	–	-182,795	211,328	44.2%
Konfio	135,582	–	-74,483	61,099	12.8%
Juspay	42,420	4,098	953	47,471	9.9%
Solfácil	–	20,000	–	20,000	4.2%
TransferGo	29,271	–	-12,366	16,905	3.5%
Rupeek	13,152	1,873	170	15,195	3.2%
Gringo	–	12,250	–	12,250	2.6%
JUMO	18,409	–	-9,580	8,829	1.8%
Abhi	1,350	448	5,787	7,585	1.6%
FinanZero	11,882	991	-5,406	7,467	1.6%
BlackBuck	10,000	–	-2,880	7,120	1.5%
Nibo	12,560	–	-5,877	6,683	1.4%
Magnetis	10,526	1,000	-5,486	6,040	1.3%
Finja	7,351	–	-4,426	2,925	0.6%
Mahaana	–	1,000	–	1,000	0.2%
minu	450	–	-26	424	0.1%
REVO	13,235	–	-13,235	–	0.0%
Liquidity placements	50,642	-1,000	-4,102	45,540	9.5%
Total	750,953	40,660	-313,752	477,861	100.0%

Note 5 – Share capital

VEF AB (publ)’s share capital per September 30, 2022, is distributed among 1,106,675,373 shares with a par value of SEK 0.01 per share as set out in the table below. Each share of the Company carries one vote. The common shares trade on Nasdaq Stockholm Main Market, Mid Cap-segment.

The convertible shares of Class C 2020, Class C 2021 and Class C 2022 are held by management and key personnel of VEF under the Company’s long-term incentive programs. The Class C shares are redeemable pursuant to the terms set out in VEF’s articles of association. The 12,400,000 Class C 2019 shares were converted into common shares on July 15, 2022 increasing the common shares to 1,054,689,978.

As per September 30, 2022, VEF holds 5,833,961 repurchased shares in accordance with the buyback program based on the mandate from the annual general meeting of the Company on May 10, 2022.

Share class	Number of shares	Number of votes	Share capital (SEK)
Common shares ¹	1,054,689,978	1,054,689,978	10,546,899.78
Class C 2020	33,250,000	33,250,000	332,500.00
Class C 2021	8,312,500	8,312,500	83,125.00
Class C 2022	10,422,895	10,422,895	104,228.95
Total	1,106,675,373	1,106,675,373	11,066,753.73

1. Whereof 5,833,961 common shares are repurchased common shares as at September 30, 2022.

Note 6 – Long-term debt

Sustainability bonds 2022/2025

During 2Q22, VEF issued sustainability bonds of three years, to the amount of SEK 500 mln, within a frame of SEK 1,000 mln. The bonds carry a floating coupon of 3m Stibor + 725 bps with interest paid quarterly. The bonds are due in April 2025. The bonds are trading on the sustainable bond list of Nasdaq Stockholm and the Open Market of the Frankfurt Stock Exchange.

Note 7 – Option plan

Per September 30, 2022, a total of 1,000,000 options are outstanding. None to the Managing Director and 1,000,000 to other employees.

Option grant date	May 16, 2018	Dec 17, 2019
Maturity date	Aug 16, 2023	Dec 17, 2024
Option price at grant date, SEK	0.41	0.34
Share price at grant date, SEK	1.97	2.95
Exercise price, SEK	2.35	3.69
Volatility	29.90%	22.80%
Risk free interest rate	-0.13%	-0.29%
No. of options granted	500,000	500,000

For more information on the option plan, please see Note 8 in the 2021 Annual Report.

Note 8 – Long-term share-based incentive program (LTIP)

There are three running and one completed LTIP programs for management and key personnel in the VEF Group. All three running programs, LTIP 2020, 2021 and 2022 are linked to the long-term performance of both the Company’s NAV and of the VEF share price. For more information on the LTIPs, please see Note 8 in the 2021 Annual Report.

	LTIP 2020	LTIP 2021	LTIP 2022
Performance measurement period	Jan 2020–Dec 2024	Jan 2021–Dec 2025	Jan 2022–Dec 2026
Vesting period	Nov 2020–Dec 2024	Sept 2021–Dec 2025	Aug 2022–Dec 2024
Maximum no of shares, Managing Director	13,300,000	3,325,000	3,325,000
Maximum no of shares, others	19,950,000	4,987,500	7,097,895
Maximum no of shares, total	33,250,000	8,312,500	10,422,895
Maximum dilution	3.17%	0.79%	0.99%
Share price on grant date, SEK	3.14	4.34	2.306
Share price on grant date, USD	0.36	–	–
Plan share price on grant date, SEK¹	0.37	0.62	0.10
Plan share price on grant date, USD¹	0.04	–	–
Total employee benefit expense excl. bonuses paid and social taxes (USD mln)	LTIP 2020²	LTIP 2021²	LTIP 2022²
2022	0.15	0.10	0.00
2021	0.20	0.02	–
2020	0.03	–	–
Total accumulated	0.38	0.12	0.00

1. The difference in common share price and plan share price derive from that plan share price has been calculated using the Monte Carlo method applying the performance criterias applicable in the terms for the long-term incentive programme and the current share price at grant date.
2. The total IFRS 2 expense does not include subsidy for acquisition and taxes arisen.

Completed program LTIP 2019

The Board of Directors determined on May 10, 2022, that the development of the Company’s NAV and share price over the term of LTIP 2019 (Jan 1, 2019, through Dec 31, 2021), meets the so-called stretch level, whereby the Class C 2019 shares held by the participants were converted on July 15, 2022. A total of 12,400,000 Class C 2019 shares were converted.

New program LTIP 2022

The Board has approved a long-term share incentive plan (“LTIP 2022”) for eight key employees in the Company. LTIP 2022 is a five-year performance-based incentive program. The objective of LTIP 2022 is to encourage the employees to financially commit to the long-term value growth of VEF, and thereby align their interests with those of the shareholders. VEF has compensated the participants with a cash subsidy for the subscription price and the tax effects arising due to the subsidy of the subscription price and benefit.

Note 9 – Events after the reporting period

No significant events after the end of the period.

Other information

Upcoming reporting dates

VEF’s financial report for the period January 1, 2022–December 31, 2022, will be published on January 25, 2023.

October 26, 2022

David Nangle
Managing Director

This information is information that VEF AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 2022-10-26 08:00 CEST.

For further information, visit www.vef.vc or contact:

Henrik Stenlund
CFO

Tel +46 8 545 015 50

Email info@vef.vc

Auditor’s report

Introduction

We have reviewed the condensed interim financial information (interim report) of VEF AB (publ) as of 30 September 2022 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, Sweden, October 26, 2022

PricewaterhouseCoopers AB

Bo Karlsson
*Authorized Public
Accountant
Auditor in charge*

Johan Brobäck
*Authorized Public
Accountant*



The emerging market fintech investor