VEF

The emerging market fintech investor

Interim report Second quarter and six months period 2022

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Key events during the quarter

- **On June 1, VEF’s shares commenced trading on Nasdaq Stockholm’s Main Market. A key event in VEF’s journey to be the leading investor in the future of finance across the emerging world.**
- **VEF issued SEK 500 mln sustainability bonds to invest in financial inclusion. We are proud that our capital is having a positive impact on access to fair and affordable financial services.**
- **During the quarter VEF’s NAV decreased by 40% driven by the sell-off in financial markets causing multiples for comparable companies to materially derate.**
- **VEF deployed an additional USD 6.6 mln into the current portfolio. Follow-on investments were made into Juspay (USD 4.1 mln), Magnetis (USD 1.0 mln), FinanZero (USD 1.0 mln) and Abhi (USD 0.5 mln).**

Net asset value

- NAV of VEF’s portfolio decreased during 1H22 to USD 441.2 mln (YE21: 761.7). NAV per share decreased by 42% to USD 0.42 (YE21: 0.73) per share during 1H22.
- In SEK, NAV decreased to 4,483 mln (YE21: 6,885). NAV per share decreased by 35% to SEK 4.30 (YE21: 6.61) per share during 1H22.
- Cash position, including liquidity investments, was USD 64.1 mln (YE21: 61.8) at the end of 1H22.

Financial result

- Net result for 2Q22 was USD -296.6 mln (2Q21: 0.5). Earnings per share were USD -0.28 (2Q21: 0.00).
- Net result for 1H22 was USD -320.7 mln (1H21: 15.8). Earnings per share were USD -0.31 (1H21: 0.02).

The negative financial result for the quarter was driven by the sell-off in financial markets causing multiples for comparable companies to materially derate. This sell-off has been the main driver of each of the portfolio company valuation moves during the quarter. Aside from peer valuation multiple contraction, delivery at VEF portfolio company level has remained strong.

	Dec 31, 2020	Dec 31, 2021	Jun 30, 2022
Net asset value (USD mln)	388.1	761.7	**441.2**
Net asset value (SEK mln)	3,178	6,885	**4,483**
Net asset value per share (USD)	0.47	0.73	**0.42**
Net asset value per share (SEK)	3.83	6.61	**4.30**
VEF AB (publ) share price (SEK)	4.04	6.05	**2.32**

Events after the end of the period

- In July, Creditas announced the extension of their Series F funding round with a new investment of USD 50 mln as part of a strategic partnership with Andbank, a global private bank. The extension brings the total fundraise to USD 310 mln.

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441.2 Net asset value (USD mln)

4.30 Net asset value per share (SEK)

-35% Net asset value per share change 1H22 (SEK)

9% Net asset value change YoY (USD)

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

Management report

Dear Fellow Shareholder,

2Q22 was a brutal quarter for financial markets, as we experienced an acceleration of trends that began to play out in 1Q22. Inflation and interest rates continued to rise (with expectations for more), driving a broad-based sell-off in financial assets over the period. Listed fintech stocks, being at the higher end of the growth/risk spectrum, felt the full brunt of this market repricing. VEF is not immune, with our share price quick to adjust, off 48% QoQ. With this quarterly release, we adjust our NAV to reflect this current market reality, reducing it 40% versus 1Q22. This is a move that has no reflection on the quality of our portfolio, or our view on its long-term value creation potential – it is simply an unemotional process of marking key parts of our portfolio to the current market reality.

This is one of those windows where markets like to remind you that building a business and being a good investor is hard. Capital evaporation has a way of doing that. No eventual success story is up and to the right in a linear fashion, that's the stuff of fantasy, and we don't believe in fantasy at VEF. The media is back to doing what it does best, selling stories – the frenzy over the latest decacorn from twelve months ago has been replaced with the story of the latest company valuation crash. Thankfully, the majority of companies, ours included, exist in a world between these extremes.

Given the environment, over the quarter we spent a lot of our time inward-focused on our portfolio. We feel confident that we are invested in the right companies, well placed to weather and even benefit from current volatility. Creditas' recent bank acquisition, detailed below, is a great case in point.

We were on the move in 2Q22, first back in Brazil – we have not been as excited by the investment window that is opening up there since 2016. We also put boots on ground in Indonesia for the first time. We have made a strong start to brand/partner/pipeline building, and it has clear potential to be our next Brazil or India. Finally, after a lot of hard work, VEF achieved another key milestone in the quarter, as we completed our long-awaited listing on the Nasdaq Stockholm Main Market. This move should have positive implications for our stock liquidity and our overall attractiveness to the investment community.

Lowered NAV to reflect new market reality

We end 2Q22 with a NAV per share of SEK 4.30 down 35% QoQ and up 4% YoY. Total USD NAV ended the quarter at USD 441.2 mln, down 40% QoQ and up 9% YoY. The 9.2% weakening of SEK vs USD QoQ drove NAV growth currency differential. We are confident that our NAV reflects the current market reality.

Fintech stocks globally contracted sharply YTD and specifically in 2Q22. The global fintech indices (baskets of publicly traded fintech benchmark stocks) fell 40% QoQ and has come off 54% YTD, as at end of 2Q22. Key EM fintech benchmark stocks like Nubank (-60% YTD), XP (-38% YTD) and SEA Limited (-70% YTD) are clear specific examples of this very public sell-off. The same was true for developed market fintech names. In our 2Q22 NAV we reflect this current market reality into our valuation inputs.

As a reminder, in 1Q22 we marked our Russian exposure to zero, but felt comfortable holding the majority of our portfolio at previous valuation marks, given the divergent moving inputs feeding into each valuation (peer valuation multiples, company forecasts, currency moves). We cut our NAV 3% QoQ in 1Q22 as a result. In 2Q22, however, the market sell-off accelerated, inclusive of the majority of key public market comps we use to benchmark the value of our portfolio companies against. This sell-off has been the main driver of each of the portfolio company valuation moves we have made this quarter. Aside from peer valuation multiple contraction, VEF portfolio company level delivery remained strong and broadly on trend, while most of our currency exposures weakened versus the USD over the quarter, unlike in 1Q22 when we experienced a sizeable 18% USD/BRL tailwind.

In terms of methodology, in 1Q22, three of our sixteen holdings were valued on a model basis and the remainder based on last transaction, all of which had taken place in the previous twelve months and whose valuation mark were defendable at that time. In 2Q22, we revive the calibration valuation methodology for a number of our portfolio companies. The calibration methodology helps us adjust valuations of companies with funding rounds within the last twelve months to an environment where markets and comps have seen a dramatic correction. We have used this in the past (over the initial Covid-19 correction) specifically for companies that had recently closed priced investment rounds but where the implied valuation multiple had moved significantly out of sync with our predetermined comp group due of a sharp decline in public markets. In 2Q22 we now use this methodology to value Creditas, Konfío and JUMO (56% of our 2Q22 portfolio).

The two names with the biggest impact on our NAV in 2Q22 are Creditas and Konfío, our two largest holdings, where we reduced their value by 50% and 55%, respectively. The depth of the move is a direct function of public market peer group sell-down compared with the last valuation mark we held these names at. Of note, in a peer group of LatAm fintech companies, NTM forward revenue multiples traded in a range of 0.9–14.1x at 2Q22 end, versus 1.9–19.5x at 1Q22 end, a significant move where the median multiple dropped 53%. Neither company has changed or become a poor company overnight. Indeed, they remain our portfolio champions and key drivers of our long-term value. Public companies are simply worth less at the end of 2Q22 than they were just a quarter or two ago, and we mark our private companies accordingly. At its core, this is an unemotional math exercise.

Of the companies, we continue to mark at last investment round, Juspay is the largest in terms of NAV impact at VEF (10% of portfolio). At its current mark, it continues to be valued on our books at a discount to key listed online payment peers Adyen and dLocal, while growing faster. Indeed, Juspay continues to impress us to the point where, even in the current environment, we are confident that it will deliver multiples of our current mark. Solfácil and Rupeek (4% and 3% of portfolio respectively), both saw recent size top-up investments at previous round valuations during the second quarter, hence a defended valuation mark.

Closing off this more detailed section on portfolio valuation than usual, I would like to make a few comments for our many stakeholders and partners who read this note:

- We are not a price setter or market maker for our portfolio companies. We are just one of a number of shareholders who have a very public process at play. In the public domain, when you have ten analysts looking at a public stock, you generally end up with ten very different price targets based on similar data provided and the market price is different again.
- Our companies consistently raise fresh capital and exit at valuations different to our marks (generally above) and we clearly welcome that.
- Each company story, performance, valuation mark (current and historic) is unique, so direct comparisons of quarterly moves are not applicable. This is also partly a function of the valuation rules we work by as a listed investment company.
- As a house, we dislike overly focusing on short-term valuation multiples for our holdings, as we look to invest and base our exit assumptions on through-cycle five-year average valuation multiples. Indeed, we may look to put capital to work in our companies at valuations above our short-term valuation marks.

All that said, we know short-term multiples are important for a rolling sanity check on the valuation of our portfolio at any given time. We can disagree with the markets, and take our own view, on a fair entry value (multiple) when investing in a company, but when marking our portfolio to market, we stick to the prevailing short-duration wisdom of the public market on the day.

Update on how we are positioned and think in this window

Similar to 1Q22, when we step back at the end of 2Q22, with all the information we have to hand, we continue to feel well-positioned in the current environment:

- We spent a lot of time in the quarter with our portfolio companies as a priority over pipeline. The top end of the portfolio, accounting for the majority of our NAV, is in very good health and continues to grow at a healthy clip (we expect c. 2x YoY headline revenue growth across all our top holdings in 2022 – Creditas, Konfío and Juspay).
- All three companies have already or are in the process of securing funds that will enable them to deliver both supernatural growth and bridge the funding gap necessary to control their own destiny to break even. This is a major positive for the majority of our portfolio.
- Strong cash position at VEF and our larger portfolio companies: Post our recent bond issue, VEF sits on USD 64 mln of capital as at the end of June. Through 2H21, all our top portfolio companies raised capital in size, and we have already seen further funding top ups for names like Juspay, Solfácil and Rupeek, executed in 2Q22, at previous round valuations. Furthermore, we feel comfortable that we have cash on hand for budgeted raises for key names in our portfolio over the coming twelve months.

With our defensive set up in place, and our top three holdings very well set to create value from here, strategically we are starting to lean more positive. Instinctively we are very excited about the operating and investment window that is starting to open up. For strong, well-funded companies, it could be a great operating window to grow, win market share, pick off competitors and deliver a winning franchise. As investors, we found much of the period in 2021 difficult, specifically around deal competition and price. Capital has become a scarce resource again, the competition for assets in our higher risk geographies has started to taper off and this starts to smell of real opportunity for a permanent capital vehicle like VEF.

Creditas announces expansion of Series F funding round and closes M&A transactions

A major positive event came through in early July, as Creditas released a number of exciting value-added announcements. Creditas announced a USD 50 mln extension to its USD 260 mln Series F financing round bringing the total to USD 310 mln. The round extension brings in Andbank, the global private bank to their cap table. In essence, Creditas is acquiring the banking license of Banco Andbank (Brasil) S.A. in a deal which sees both companies becoming shareholders in each other, with a cash release in favour of Creditas. Attracting additional capital at previous round valuation is an event reserved for the best-in-class private companies right now, while the bank licence acquisition opens up a number of exciting strategic avenues for Creditas regarding the breadth and depth of its funding going forward, inclusive of deposits.

Building off the transaction, Creditas is raising a convertible note for an additional USD 150 mln to pursue selective strategic opportunities and continue expanding its ecosystem. The company has a strong track record of value-added M&A through cycle and this is a great window for a front foot well-funded ecosystem winner to consolidate key related assets.

Creditas is finalizing the migration from Brazilian GAAP to IFRS accounting and will be publishing the results corresponding to 1Q22 together with the 2Q22 statements as well as a reconciliation of historical financials through IFRS. All key for its path to IPO. Management did release to the markets that under IFRS, revenues for 1H22 posted at BRL 820 mln, a 3.2x growth vs. the first half of 2021.

It is a very exciting time for Creditas and VEF as its shareholders – Creditas has the capital and machine to deliver triple-digit YoY headline growth, has depth and diversity of funding resources through cycle, with a clear funded growth path to break even.

Finally, we welcome the contradiction between our conservative approach to setting Creditas valuation mark for our NAV in 2Q22, versus the reality of valuation at which this fresh capital has poured into the company. We love sitting on awesome companies with valuation marks that the market believes in, and even better, can see clear upside in.

Time spent on the ground in Brazil, India and Indonesia in 2Q22

We spent much of 2Q22 working with our current portfolio companies and getting them mentally, strategically, and where applicable, financially, in shape for the current macro and market reality. That said, we travelled to our two largest markets, Brazil and India, as well as Indonesia over the quarter, all very different value-added trips.

Accounting for 53% of our portfolio, six of our sixteen portfolio companies, including our two most recent investments (Gringo and Solfácil), Brazil remains a key investment destination within our broad EM mandate. As with the rest of the world, high/rising inflation and interest rates dominate the macro debate in Brazil. The Brazilian Central Bank moved ahead of most to tame inflation and with key Selic base rates now at a lofty 13.25%. Consensus view seems to be that we are close to peak levels and could start to see them come off, post the election in 2H22 and/or into 2023. The Brazil trip compounded our positive sentiment for our latest portfolio additions, Gringo and Solfácil – they are stellar additions to the portfolio. We spent a day of our Brazil trip with team Creditas. The company is a winner and knows well how to navigate a crisis, comfortably flipping between defence and attack in this window. Similar to 2016, when we first started to invest in Brazil fintech, there is still a healthy base of early-stage capital at work, but the capital gap, once again, seems to be appearing in the Series B–C (growth capital) space. This is a stage we traditionally revel in as investors and welcome any fall-off in noise and competition here.

In April we had an exciting trip to India, our second largest market, now representing 15% of our portfolio. Despite the macro-overhang the tech ecosystem in India appears to be weathering the storm relatively well, still able to attract deep pools of capital, indicative of the opportunity.

On the trip we spent quality time with each of our three investments in the region, increasing our conviction that not only are we invested in huge opportunities with strong founders and teams but also that our portfolio companies there are generating very substantial revenues in a country of thin unit economics. Juspay is maturing beautifully and really growing from strength to strength. The energy, passion and depth of talent at BlackBuck is hard to top and Rupeek have made some critical strides in their business and specifically funding model seeing them gain substantial position vs incumbents, resulting in strong growth. We came away reassured by our strategy and patience in building our India portfolio and very excited about our future as key partners to the Indian ecosystem.

We expanded our geographic reach in early 2022 with a focus on Indonesia, which is in many ways comparable to Brazil (population size, high smartphone penetration), but in others, more like India (young demographics, low credit penetration, cheap data costs). After a period of research, we did a first trip, spending ten days on the ground in late May. We found a fintech ecosystem that is at an early stage of development and monetisation, with a wide array of investable companies within each fintech subsector. We are busy establishing our brand and partners there, while building our knowledge base as we go. We believe we are in a strong position to build a robust and high-quality pipeline there and see it as a potential future Brazil or India for our firm.

More generally, pipeline building continues, and it is a very interesting time for VEF and our markets in that regard. Pausing to see how companies stand up to the current headwinds, how capital flows evolve, while waiting to see when and where market valuations settle, are key moving parts we like to see play out before we get heavy on the trigger again.

VEF shares now trading on the Nasdaq Stockholm Main Market

While markets will do their thing and we adjust accordingly, we continue to work on a number of medium-to-long-term projects which strengthen and improve the position of our company. On June 1, VEF AB commenced trading on Nasdaq Stockholm Main Market, graduating from the Nasdaq First North Growth Market. Our shares trade in the Mid Cap-segment under the ticker VEFAB. We strongly believe that the listing on Nasdaq Main Market is a logical and important step in the journey of our company and is expected to further increase awareness of VEF, attract a broader investor base and improve access to capital markets.

On the ESG front, we started to put some of the fresh capital raised from our sustainability-linked bond to work, announcing investments into Solfácil, Brazil's leading solar marketplace and lender (USD 20 mln first investment) and Abhi, Pakistan's leading employee wellness platform (USD 0.5 mln follow-on investment).

In June, we saw the departure of Ranjan Tandon from the board of VEF. While board members come and go in the natural course of business of a listed company, it is key to note that Ranjan was, and is, more than just an investor or a board member. He was effectively part of the VEF founding team that allowed this company to be created and get its start in life. He represents the classic risk capital meets entrepreneur story, allowing a business idea to be born and supporting it to gradually flourish. I will be forever grateful for the role Ranjan played in our journey.

Concluding remarks

In 2Q22 we made sizeable cuts to our NAV reflecting the new market reality that is upon us. Never a fun exercise, but essential. We have been here in the past, notably 1Q20, and despite the short-term value pain, to be blunt, it is just the reality valuation math of the day. Interest rates are rising, and asset prices have rolled over globally.

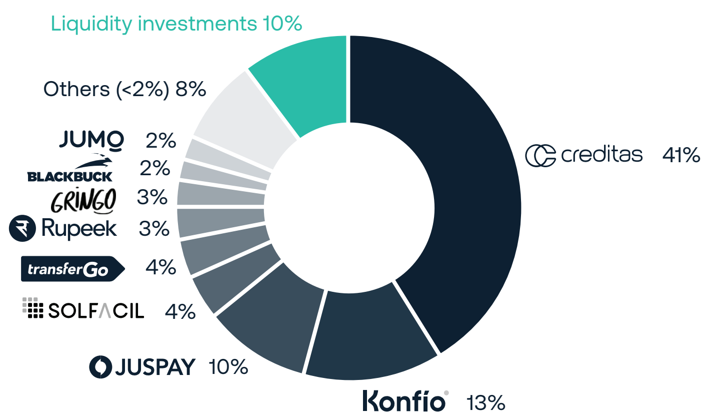
To our capital partners, we remain calm at this time. We are respectful of the capital provided to us and are confident in the long-term value creation trade in our sector and investment company. To our portfolio companies and their founding teams, who are building businesses for the long term, we say; ignore the market noise and keep building. Building great companies through cycle in emerging (or any) markets was never going to be a smooth ride. No ultimate success story is a straight line up and to the right.

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. 1H22 has brought some fresh volatility and challenges, but we have been here before and will inevitably be here again. Long a portfolio of quality EM fintech holdings, while selectively shopping for new holdings, we are as well-positioned as ever to continue to create value for our shareholders.

July 2022,
Dave Nangle

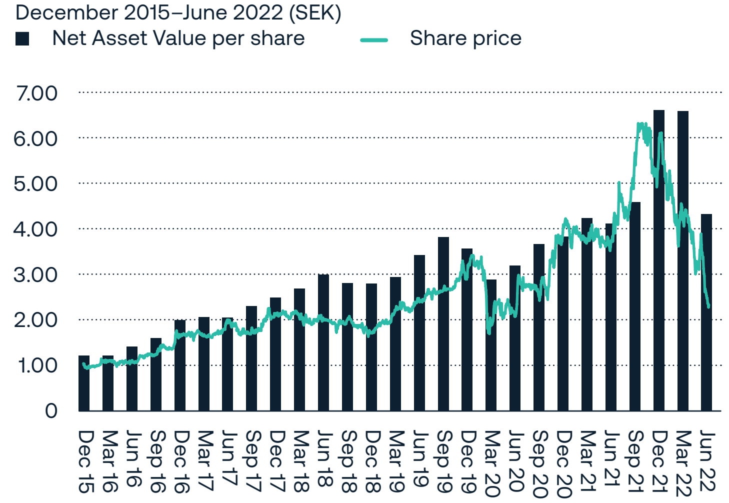
VEF in charts — 2Q 2022

Portfolio composition

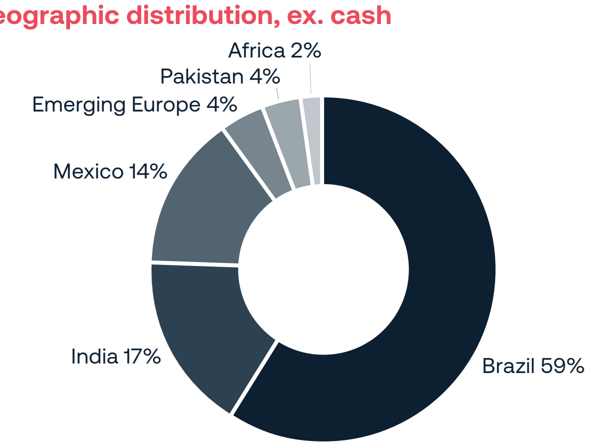


VEF share and net asset value development

December 2015–June 2022 (SEK)

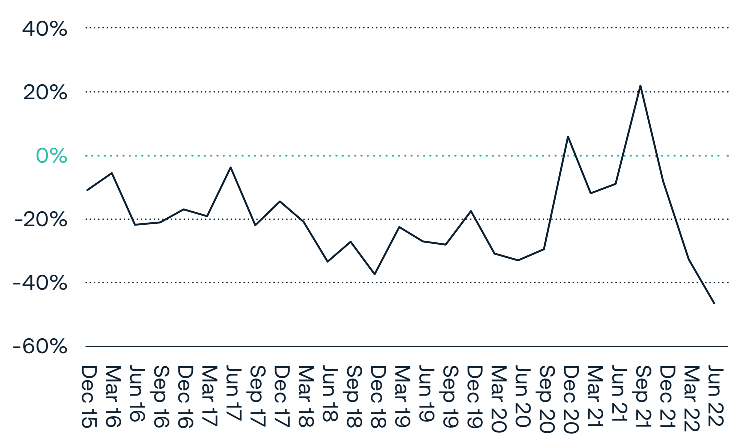


Geographic distribution, ex. cash

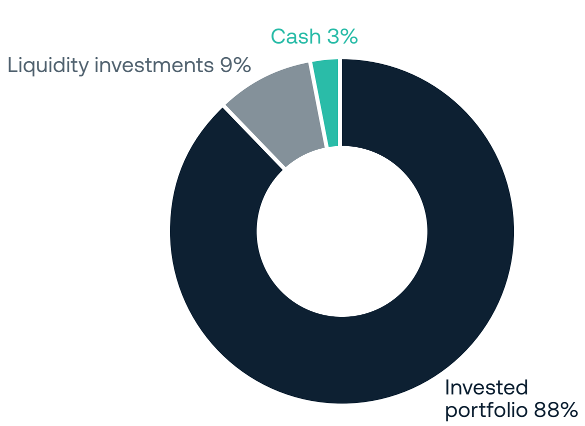


Premium/discount to net asset value

December 2015–June 2022

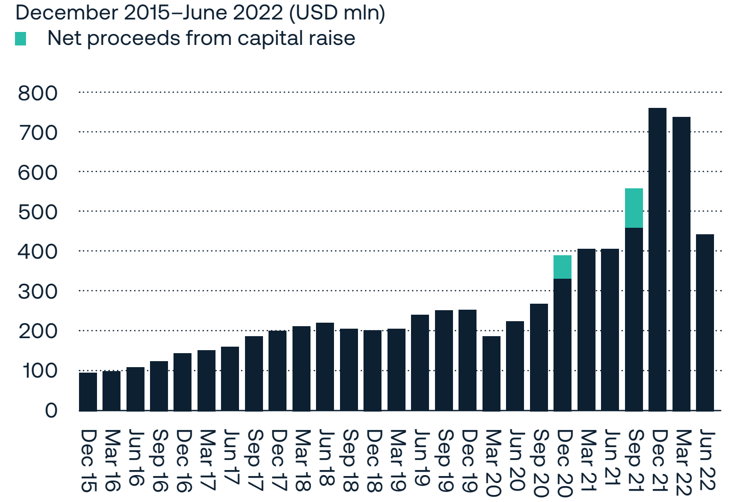


Invested portfolio and cash



VEF NAV evolution

December 2015–June 2022 (USD mln)



Investment portfolio

Portfolio development

VEF's net asset value per share decreased by 40% in USD over 2Q22, while VEF's share price in SEK decreased by 48%. During the same period, the MSCI Emerging Markets index* decreased by 11% in USD terms.

Liquidity investments

The Company has investments in money market funds and bonds as part of its liquidity management operations. As at Jun 30, 2022, the liquidity investments are valued at USD 48.3 mln.

Net asset value

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

Company	Fair value Jun 30, 2022	Net invested amount	Net invest-ments 2022	Change in fair value 2Q22	Change in fair value 2022	Fair value Dec 31, 2021	Valuation method
Creditas	195,936	98,356	–	-198,132	-198,187	394,123	Calibration methodology [1]
Konfío	61,061	56,521	–	-74,521	-74,521	135,582	Calibration methodology [1]
Juspay	47,471	21,083	4,098	953	953	42,420	Latest transaction [1]
Solfácil	20,000	20,000	20,000	–	–	–	Latest transaction [1]
TransferGo	18,126	13,877	–	-10,293	-11,145	29,271	Mark-to-model [1,2]
Rupeek	13,188	11,985	–	35	35	13,152	Latest transaction [1,2]
Gringo	12,250	12,250	12,250	–	–	–	Latest transaction [1]
BlackBuck	10,000	10,000	–	–	–	10,000	Latest transaction [1]
JUMO	9,582	14,614	–	-8,827	-8,827	18,409	Calibration methodology [1]
FinanZero	8,298	5,163	991	-3,511	-4,575	11,882	Latest transaction [1,2]
Magnetis	8,200	6,668	1,000	-3,325	-3,325	10,526	Mark-to-model [1]
Abhi	7,585	1,798	448	5,787	5,787	1,350	Latest transaction [1]
Finja	7,352	2,925	–	–	1	7,351	Latest transaction [1]
Nibo	6,676	6,500	–	-3,701	-5,884	12,560	Mark-to-model [1]
minu	362	450	–	-88	-88	450	Mark-to-model [1]
REVO	–	6,664	–	–	-13.235	13,235	Mark-to-model [1]
Liquidity investments	48,348	47,300	2,000	39	-4.294	50,642	[1]
Portfolio value	**474,435**	**336,154**	**40,787**	**-295,584**	**-317,305**	**750,953**	
Cash and cash equivalents	15,759					11,131	
Total investment portfolio	**490,194**					**762,084**	
Other net liabilities	-48,976					-356	
Total net asset value	**441,218**					**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.

Latin America

creditas

creditas.com

Region: **BRAZIL**

Invested amount (USD): **98.4 mln**

VEF stake: **8.9%**

Fair value (USD): **195.9 mln**

Share of VEF's portfolio: **41.3%**

Creditas is the leading fintech platform for secured and specialized financial solutions focused on improving the lives of individuals in Latin America across three ecosystems: auto, home and employee benefits.

Creditas' ecosystem leverages customers' assets to offer fintech solutions, digital insurance and consumer solutions, using proprietary technology to deliver a unique customer experience. Collateral-based lending is the core monetization tool and allows Creditas to build an enduring client relationship. In Brazil, consumers pay some of the highest interest rates in the world, while secured lending remains massively underpenetrated. Creditas democratizes access to credit by leveraging customers' assets like their real estate, vehicle and salary to offer financing and refinancing options loans at more reasonable rates through an efficient, tech-driven application system.

The core fintech product of asset-backed lending has clear synergies with insurance, and Creditas is now the largest independent insurance broker in Brazil offering auto, residential and employment insurance in partnership with more than 16 carriers. In addition, consumer solutions offered by Creditas allow customers to buy, sell and upgrade their assets, offering home renovation solutions, a proprietary online used car retail platform (Creditas Auto) and, after a strategic investment in Voltz Motors, the next generation of EV motorcycles and scooters. These solutions create a flywheel effect that increases customer engagement, reduces acquisition costs and expands Creditas' revenue streams.

Creditas continues to be one of the cornerstone holdings of the VEF portfolio, and we remain confident in the company's ability to create meaningful value and be a significant driver of our NAV as the company strides towards an IPO.

Konfío

konfio.mx

Region: **MEXICO**

Invested amount (USD): **56.5 mln**

VEF stake: **10.3%**

Fair value (USD): **61.1 mln**

Share of VEF's portfolio: **12.9%**

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

SMEs are key to economic development in emerging markets, yet while SMEs represent 88% of private sector employment in Mexico, they contribute only 32% of economic value added to the market. This is largely because SMEs have historically been underserved by traditional banks and thus have poor access to financial services – with only one out of ten businesses having access to formal credit – while low worker productivity also plays a part.

Konfío has built a full ecosystem of technology and business solutions for SMEs in Mexico, allowing them to boost their growth and productivity. At the core, Konfío's working capital loan product leverages traditional and non-traditional data sources and advanced data capture, storage, and processing technologies to assess credit risk without requesting financial statements from customers, generating credit offers with dynamic terms in less than ten minutes in a 100% digital process.

Konfío has broadened its product suite to include payments and SaaS tools, offering both online and offline B2B and consumer payment and financing solutions, and a cloud-based system for operational, accounting, and financial business management available to both SMEs and their accountants. These new offerings are leading to lower CAC, stronger customer engagement and an improvement in risk selection, while diversifying revenues and increasing customer LTV at Konfío.

SOLFACIL

solfacil.com.br

Region: **BRAZIL**

Invested amount (USD): **20.0 mln**

VEF stake: **2.6%**

Fair value (USD): **20.0 mln**

Share of VEF's portfolio: **4.2%**

Solfácil is Brazil's largest digital solar panel marketplace and financing platform.

Founded in 2018, Solfácil is building a full ecosystem for solar energy adoption in Brazil, where electricity market dynamics, cheap labor, high levels of home ownership, a favorable regulatory environment, and ideal climate conditions contribute to a significant TAM, where solar adoption is forecast to rise from 0.8% to a conservative 5% by 2025.

Beyond the clear environmental benefits, there are economic benefits for consumers to adopt solar energy – Solfácil gives consumers access to financing for panels, where the cost of borrowing equates to consumers' current utility bills, and once the loan is paid down, the panels and thus electricity is free from that point on. Solfácil disburses these loans though a fully digital channel, leveraging a fragmented network of partner solar installers across the country to originate the loans, and also operates a marketplace for solar panels and offers additional services to customers such as maintenance and repair.

In March 2022, VEF invested USD 20 mln into Solfácil, participating in its USD 130 mln Series C round which was led by QED and also saw participation from SoftBank and existing investors.

GRINGO

gringo.com.vc

Region: **BRAZIL**

Invested amount (USD): **12.2 mln**

VEF stake: **10.2%**

Fair value (USD): **12.2 mln**

Share of VEF's portfolio: **2.6%**

Founded in 2020, Gringo is a one-stop shop for drivers in Brazil.

Gringo is building a "super-app" for drivers in Brazil with the ambition of becoming the drivers' best friend. Vehicle ownership in Brazil is a cumbersome journey where owners face pain points driven by analogue processes, massive paperwork and broken legacy systems. Gringo's vision is to become the "super-app" for drivers and has started by offering vehicle-documentation related services such as payments, BNPL solutions for drivers to pay for renewal of driving licenses, taxes and fines amongst other things. In less than two years, Gringo has reached over 5 mln drivers on the platform..

In February 2022, 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.

FinanZero

finanzero.com.br

Region:
BRAZIL

Invested amount (USD):
5.2 mln

VEF stake:
19.0%

Fair value (USD):
8.3 mln

Share of VEF's portfolio:
1.7%

FinanZero is a pioneering digital marketplace for consumer loans in Brazil.

The exorbitantly high interest rates on consumer loans in Brazil, where unsecured consumer loan and credit card APRs average well into triple-digits, mean it is an imperative for consumers to find loans with the lowest rates and best terms available to them in the market. Playing into this space, FinanZero has become the leading digital loan broker for consumers in Brazil.

Acting as an independent broker, FinanZero negotiates the customer's loan with several banks and credit institutions at once to find the loan with the best interest rate and terms for the consumer. FinanZero handles the lending process from start to finish, with the customer and the bank integrated into the platform. For consumers, this means that all the relevant credit providers are reached through one single application, and from the credit providers' perspective, FinanZero adds value through more effective distribution, lower customer acquisition cost, better segmentation, and lower administration costs.

magnetis

magnetis.com.br

Region:
BRAZIL

Invested amount (USD):
6.7 mln

VEF stake:
17.1%

Fair value (USD):
8.2 mln

Share of VEF's portfolio:
1.7%

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

Using state-of-the-art technology, the product takes the individual's risk preferences into account, then builds and manages a tailored portfolio of money market, insured fixed income, hedge funds and equity ETFs at the click of a button. Given the deep pool of wealth, high levels of consumer technology adoption, large existing revenue pool and lack of financial market literacy, Brazil represents one of the largest addressable markets for digital wealth management globally. Magnetis has a strong team with vast experience of investing in Brazil and in-depth knowledge of regulatory architecture and requirements in a space with limited competition.

nibo

nibo.com.br

Region:
BRAZIL

Invested amount (USD):
6.5 mln

VEF stake:
20.1%

Fair value (USD):
6.7 mln

Share of VEF's portfolio:
1.4%

Nibo is the leading accounting SaaS provider in Brazil, transforming the way accountants and SMEs interact in one of the most complex and regulated accounting and tax environments in the world.

The Nibo platform uses technology to offer a suite of financial management tools to accountants and SMEs, including accounts and bank reconciliation, payment of bills, cash flow projection tools and issuance of invoices and boletos, empowering accountants to serve their customers better and more profitably. As well as improving productivity, Nibo's products allow accountants to cross-sell additional value-added services, further strengthening the end customer relationship and diversifying their revenue stream.

As their SME base grows, Nibo is accumulating and manages a unique pool of SME data which has the potential to serve as a base for offering a variety of additional financial services to Brazil's underserved SMEs as a natural extension of the core products. As of February 2022, Nibo had over 350 thousand SMEs serviced through 3,700 accountant customers on its platform.

minu

minu.mx

Region:
MEXICO

Invested amount (USD):
0.5 mln

VEF stake:
1.2%

Fair value (USD):
0.4 mln

Share of VEF's portfolio:
0.1%

minu is an employee financial wellness company and the market leader for salary-on-demand in Mexico.

minu is on a mission to improve the financial health of millions of workers across Mexico, where 75% of the population live paycheck to paycheck and almost 70% of individuals cannot cover the cost of unexpected expenses. Access to traditional forms of credit in Mexico is extremely limited and distrust of banks is high, with only 37% of the adult population owning a bank account.

minu solves for the liquidity gap experienced by employees between paychecks by offering instant access to employees' earned wages ahead of payday. The company partners with large corporate employers to give their employee base access to minu's product as a benefit, with this B2B2C distribution model instilling trust in the employees. It is a win-win for both employers and their employees whose needs are aligned: minu's solution reduces financial stress and allows users to avoid expensive loans, leading to financially healthier and thus more productive workers.

Emerging Europe and Africa

transferGo

transfergo.com

Region:
EASTERN EUROPE

Invested amount (USD):
13.9 mln

VEF stake:
12.3%

Fair value (USD):
18.1 mln

Share of VEF's portfolio:
3.8%

TransferGo is a rapidly growing, low-cost, digital money transfer business offering real-time service to customers across the globe.

Global remittance volumes total USD 700 bln annually and growing. For many years, customers have been underserved by incumbent banks and traditional money transfer operators, where pricing is too high and speed too low. Today, fintech companies like TransferGo are rapidly increasing the share of digital money transfers in the remittance market, providing greater choice, access, speed, and price to customers across the world.

Using TransferGo, customers pay up to 90% less than with banks, with transfers delivered securely in just 30 minutes. TransferGo's segment of focus are blue-collar migrant workers who are some of the most consistent remittance customers in the world, with 5–20 transactions per year. Initially focused on the corridors of broader Europe, today TransferGo operates in over 60 countries across the world and has high market share in key markets such as Ukraine, Turkey, and the CEE. TransferGo also offers digital remittance services for SMEs and enterprises.

JUMO

jumo.world

Region:
AFRICA

Invested amount (USD):
14.6 mln

VEF stake:
4.6%

Fair value (USD):
9.6 mln

Share of VEF's portfolio:
2.0%

JUMO provides inclusive financial services to unbanked consumers and SMEs across several emerging and developing markets.

Over 1.7 bln adults across the globe are excluded from or underserved by traditional financial services, with over 76% of these people living in sub-Saharan Africa and South Asia. Reliance on cash and lack of access to credit makes it extremely difficult for individuals to save for needs such as education and healthcare, prepare for financial emergencies, and invest in their businesses.

JUMO is a full technology stack for financial services that enables banks to reach millions of new customers with credit and savings products at affordable prices whilst making predictable returns. JUMO's platform provides a full range of infrastructure and services that banks need in order to operate, from core banking to underwriting, KYC and fraud-detection services. The company uses advanced data science and machine learning to power the fastest and leanest financial services infrastructure in their markets, giving individuals and entrepreneurs access to savings and loan products via their mobile phone.

South Asia

JUSPAY

juspay.in

Region:
INDIA

Invested amount (USD):
21.1 mln

VEF stake:
10.2%

Fair value (USD):
47.5 mln

Share of VEF's portfolio:
10.0%

Founded in 2012, Juspay is one of India's leading payment companies.

India has one of the most advanced and complex electronic payment infrastructures globally and was an early mover on mandatory two factor authentication. This has resulted in friction and challenges unique to India which Juspay has been solving for some of India's largest merchants and banks. Juspay has created a unifying layer of products and value-added services that improves conversion rates for merchants and other stakeholders in the payment value chain. Juspay has had more than 250 mln downloads of its SDK (Software Development Kit) and facilitates more than USD 90 bln of annualized payment volume for some of India's largest merchants including Amazon, Flipkart, Uber, Swiggy, Ola and Cred.

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

Rupeek

rupeek.com

Region:
INDIA

Invested amount (USD):
12.0 mln

VEF stake:
2.0%

Fair value (USD):
13.2 mln

Share of VEF's portfolio:
2.8%

Rupeek is India's fastest-growing asset-backed digital lending platform focused on gold-secured loans.

Over 90% of Indians do not have access to formal credit, and for those who do have credit, 60% is in the form of expensive unsecured loans. At the same time, 95% of their net worth is held in some form of asset, with Indian households holding over 25,000 tonnes of gold. Starting with gold-backed lending, Rupeek is solving for this paradox by building products to make credit accessible to the masses in a fair and convenient manner and is contributing to the financial inclusion of the Indian population.

The company has sustained high customer centricity with a consumer NPS being >65. In December 2021, Rupeek raised USD 34 mln in an investment round led by Lightbox with participation from VEF (USD 5 mln) and other existing investors.

BLACKBUCK

blackbuck.com

Region:
INDIA

Invested amount (USD):
10.0 mln

VEF stake:
1.0%

Fair value (USD):
10.0 mln

Share of VEF's portfolio:
2.1%

BlackBuck is the largest online trucking platform in India.

BlackBuck is the largest online trucking platform in India and currently servicing c. 50% of all truckers in India. BlackBuck is leading a transformation in the India logistics industry, which is fast moving from paper & pencil to digital. BlackBuck digitizes fleet operations for truckers (providing predominantly payments solutions around tolls and fuel) and operates a marketplace matching trucks with relevant loads. BlackBuck is a leader in its category and has built several unique solutions for Indian truckers. 35% of India's trucking toll spend today happens through BlackBuck.

At VEF, we are experiencing an attractive and growing pipeline of Embedded Finance opportunities and BlackBuck represents our first investment in this space and our third investment in India. The company achieved unicorn status in the last concluded round and is backed by marquee global investors alongside VEF.

abhi

abhi.com.pk

Region:
PAKISTAN

Invested amount (USD):
1.8 mln

VEF stake:
11.5%

Fair value (USD):
7.6 mln

Share of VEF's portfolio:
1.6%

Abhi is a financial wellness company offering early wage access to employees in Pakistan.

Abhi aims to redefine access to financial services for both businesses and employees across Pakistan. Accessing an employee base of hundreds of thousands of workers by partnering with large corporates, Abhi allows employees to access their earned income and avoid expensive payday loans when they need it most. Modernizing the pay cycle is the most fundamental transformation a company can make to its relationship with employees, and as a result, Abhi's partner companies benefit from a more motivated workforce with higher satisfaction and retention of employees. In addition, Abhi offers payroll processing and invoice factoring solutions to these businesses, further strengthening the partnership and aligning their interests.

Founded in 2021, Abhi is early in its journey but has seen significant traction in its products and is scaling rapidly, with an expansion of the product suite planned over the coming months.

FINJA

finja.pk

Region:
PAKISTAN

Invested amount (USD):
2.9 mln

VEF stake:
22.0%

Fair value (USD):
7.4 mln

Share of VEF's portfolio:
1.5%

Finja is a digital lending platform and financial services ecosystem for SMEs in Pakistan.

Pakistan is a scale market with a population of over 220 mln people and a fast-growing middle class. However, in terms of financial services and credit, Pakistan is massively underpenetrated, with as little as 2% of adults and 7% of SMEs receiving formal credit from financial institutions. With high smartphone penetration in the market today, fintech offers a massive opportunity to introduce financial services to an increasingly digitally savvy population.

Finja supports the growth of small businesses in Pakistan who are the heart of the country and key to GDP growth. Finja offers loans to kiranas or 'mom-and-pop' stores and other small businesses, operating through various partnerships with banks, fintechs and FMCG suppliers and distributors. Fulfilling a major demand for credit in the market, Finja's network effects creates value for all players in the supply chain. In addition to this, Finja also operates a HR platform, Finja Business, where companies manage day-to-day functions such as payroll, invoices, and payments.

Financial information

Investments

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 Brazilian 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 mln was also invested in liquidity placements during the quarter.

Divestments

Gross divestments in financial assets during 1H22 were USD 33.0 mln, of which all relates to divestments in liquidity placements.

Share info

At the end of 1H22, the number of outstanding common shares were 1,042,289,978. Including the 53,962,500 redeemable common shares (Class C shares) under the long-term incentive program (LTIP) 2019, 2020 and 2021, the total number of outstanding shares at the end of 1H22 amounts to 1,096,252,478. The company does not hold any repurchased shares.

Group – results for 1H22

During 1H22, the result from financial assets at fair value through profit or loss amounted to USD -317.3 mln (1H21: 19.5).

- Dividend and coupon income were USD 0.2 mln (1H21: 0.2).
- Net operating expenses amounted to USD -4.7 mln (1H21: -4.0).
- Net financial items were USD 1.0 mln (1H21: 0.1).
- Net result was USD -320.7 mln (1H21: 15.8).
- Total shareholders' equity amounted to USD 441.2 mln (YE21: 761.7).

Group – results for 2Q22

During 2Q22, the result from financial assets at fair value through profit or loss amounted to USD -295.6 mln (2Q21: 3.2).

- Dividend and coupon income were USD 0.1 mln (2Q21: 0.1).
- Net operating expenses amounted to USD -2.1 mln (2Q21: -3.0).
- Net financial items were USD 1.0 mln (2Q21: 0.1).
- Net result was USD -296.6 mln (2Q21: 0.5).

The negative financial result for the quarter was driven by the sell-off in financial markets causing multiples for comparable companies to materially derate. This sell-off has been the main driver of each of the portfolio company valuation moves during the quarter. Aside from peer valuation multiple contraction, delivery at VEF portfolio company level has remained strong.

Liquid assets

The liquid assets of the Group, defined as cash and bank deposits, amounted to USD 15.8 mln on Jun 30, 2022 (YE21: 11.1). The Company also has investments in money market funds and bonds, as part of its liquidity management operations. As of Jun 30, 2022, the liquidity investments are valued at USD 48.3 mln (YE21: 50.6).

Parent company

The parent company, VEF AB (publ) is the holding company of the Group. The net result for 1H22 was SEK 56.9 mln. This is the fourth financial report of VEF AB (publ) after the redomestication and the comparative figures for the Group presented in this financial report are attributable to the VEF Ltd. Group with VEF Ltd. as the parent Company. VEF AB (publ) is the parent of four wholly owned subsidiaries; VEF Cyprus Limited, VEF Fintech Ireland Limited, VEF Service AB and VEF UK Ltd. VEF AB (publ) is the direct shareholder of three portfolio companies (BlackBuck, Juspay and Rupeek).

Current market environment

The second quarter of 2022 was a difficult window for global financial markets, experiencing broad-based sell-offs in financial assets. All driven by an accelerated inflation and interest rates hikes, collectively creating a low visibility and a risk-off mode environment. VEF has seen a heavy share price pressure over the period similar to 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 64.1 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 expect the majority of our NAV 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. However, little has changed on an operational level and the quality of the portfolio remains very strong.

Write-down of holdings with exposure to Russia

VEF has one equity holding in addition to liquidity investments with direct or partial exposure to Russia, equivalent to 2.3% of YE21 NAV.

REVO is exposed to Russian businesses and operates a BNPL business model. The growing list of sanctions being levied on the Russian financial system combined with fall in the local currency has placed pressure on the many aspects of the business.

Affected liquidity investments consist of bonds in Tinkoff (a Russian based online bank and previous portfolio company of VEF) and although the Russian bond market is not existing as of now, Tinkoff has honoured coupon payments and has followed through with the latest payments as planned in March and June 2022.

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 2Q22.

Consolidated income statement

Expressed in USD thousands	Note	1H 2022	1H 2021	2Q 2022	2Q 2021
Result from financial assets at fair value through profit or loss	4	-317,305	19,533	-295,584	3,229
Dividend and coupon income		195	194	98	97
Other income		164	–	0	–
Administrative and operating expenses		-4,496	-3,818	-2,004	-2,902
Employee incentive programs	8	-205	-198	-99	-69
Operating result		**-321,647**	**15,711**	**-297,589**	**355**
Financial income and expenses					
Interest income		–	63	–	–
Interest expense		-694	–	-688	–
Currency exchange gains/losses, net		1,660	-9	1,720	133
Net financial items		**966**	**54**	**1,032**	**133**
Result before tax		**-320,681**	**15,765**	**-296,557**	**488**
Taxation		-1	-14	–	-8
Net result for the period		**-320,682**	**15,751**	**-296,557**	**480**
Earnings per share, USD		-0.31	0.02	-0.28	0.00
Diluted earnings per share, USD		-0.30	0.02	-0.28	0.00

Statement of other comprehensive income

Expressed in USD thousands	1H 2022	1H 2021	2Q 2022	2Q 2021
Net result for the period	**-320,682**	**15,751**	**-296,557**	**480**
Other comprehensive income for the period:				
Items that may be classified subsequently to profit or loss:				
Currency translation differences	–	-32	–	-17
Total other comprehensive income for the period	**–**	**-32**	**–**	**-17**
Total comprehensive income for the period	**-320,682**	**15,719**	**-296,557**	**463**

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	Jun 30, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Tangible non-current assets			
Property, plant and equipment		26	102
Total tangible non-current assets		**26**	**102**
Financial non-current assets			
Financial assets at fair value through profit or loss	4		
Equity financial assets		426,087	700,311
Liquid financial assets		48,348	50,642
Other financial assets		23	27
Total financial non-current assets		**474,458**	**750,980**
CURRENT ASSETS			
Tax receivables		58	109
Other current receivables		514	387
Prepaid expenses and accrued income		108	138
Cash and cash equivalents		15,759	11,131
Total current assets		**16,439**	**11,765**
TOTAL ASSETS		**490,923**	**762,847**
SHAREHOLDERS' EQUITY (including net result for the financial period)		**441,218**	**761,728**
NON-CURRENT LIABILITIES			
Long-term debts	6	47,862	–
Total non-current liabilities		**47,862**	**–**
CURRENT LIABILITIES			
Accounts payable		249	138
Tax liabilities		19	51
Other current liabilities		113	534
Accrued expenses		1,462	396
Total current liabilities		**1,843**	**1,119**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**490,923**	**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 1H21		–	–	15,751	15,751
Other comprehensive income for the period					
Currency translation difference		–	–	-32	-32
Total comprehensive income for the period		**–**	**–**	**15,719**	**15,719**
Value of employee services:					
Employee share option scheme		–	–	324	324
Share based long-term incentive program		–	–	142	142
Balance at Jun 30, 2021		**–**	**–**	**404,251**	**404,251**
Balance at Jan 1, 2022		**1,308**	**97,440**	**662,980**	**761,728**
Net result 1H22		–	–	-320,682	-320,682
Other comprehensive income for the period					
Currency translation difference		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**-320,682**	**-320,682**
Value of employee services:					
Employee share option scheme	7	–	4	–	4
Share based long-term incentive program	8	–	168	–	168
Balance at Jun 30, 2022		**1,308**	**97,612**	**342,298**	**441,218**

Consolidated statement of cash flows

Expressed in USD thousands	1H 2022	1H 2021	2Q 2022	2Q 2021
OPERATING ACTIVITES				
Result before tax	-320,681	15,765	-296,557	488
Adjustment for non-cash items:				
Interest income and expense, net	694	-63	688	–
Currency exchange gains/-losses, net	-1,660	9	-1,720	-133
Depreciations	77	50	53	36
Result from financial assets at fair value through profit or loss	317,305	-19,533	295,584	-3,229
Other non-cash items affecting profit or loss	174	115	84	39
Adjustment for cash items:				
Dividend and coupon income	-195	-194	-98	-97
Change in current receivables	-1,542	-47	-1,501	26
Change in current liabilities	534	193	694	59
Net cash used in operating activities	**-5,294**	**-3,705**	**-2,773**	**-2,812**
Investments in financial assets	-73,787	-32,443	-41,537	-23,491
Sales of financial assets	33,000	36,500	3,000	29,000
Repayment of short-term loan receivables	–	2,176	–	–
Dividend and coupon income	195	194	98	97
Interest received	–	63	–	–
Net cash flow used in/from operating activities	**-45,886**	**2,785**	**-41,212**	**2,794**
FINANCING ACTIVITIES				
Proceeds from sustainability bonds	53,080	–	53,080	–
Proceeds from new share issue through employee options	-4	314	–	314
Net cash flow from financing activities	**53,076**	**314**	**53,080**	**314**
Change in cash and cash equivalents	**7,190**	**3,099**	**11,868**	**3,108**
Cash and cash equivalents at the beginning of the period	**11,131**	**4,224**	**6,380**	**4,055**
Exchange gains/losses on cash and cash equivalents	-2,562	-156	-2,489	4
Cash and cash equivalents at the end of the period	**15,759**	**7,167**	**15,759**	**7,167**

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.

	1H 2022	1H 2021
Net asset value, USD	441,217,625	404,251,283
Exchange rate at balance sheet date, USD/SEK	10.16	8.51
Net asset value/share, USD	0.42	0.48
Net asset value/share, SEK	4.30	4.12
Net asset value, SEK	4,482,552,322	3,440,436,451
Share price, SEK	2.32	3.76
Premium/discount(–) to NAV	-46.0%	-8.7%
Weighted average number of shares for the financial period [1]	1,042,289,978	830,710,911
Weighted average number of shares for the financial period, fully diluted [2]	1,054,812,471	831,223,622
Number of shares at balance sheet date [1]	1,042,289,978	834,477,168
Number of shares at balance sheet date, fully diluted [2]	1,054,812,471	834,989,879

1. Number of shares is not adjusted for 53.962.500 redeemable common shares issued under the 2019, 2020 and 2021 long-term incentive programs.
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. Number of shares fully diluted is adjusted for the 12,400,000 redeemable common shares (Class C shares) issued under the 2019 long-term incentive program as the incentive program's conditions has been fulfilled but the shares had not yet been converted by June 30, 2022. Number of shares fully diluted is not adjusted for 41,562,500 redeemable common shares (Class C shares) issued under the 2020 and 2021 long-term incentive program as at the end of the period the conditions of the two respective programs are not fulfilled.

Reconciliation tables

	1H 2022	1H 2021
Net asset value, USD	441,217,625	404,251,283
Net asset value, SEK		
Net asset value, USD	441,217,625	404,251,283
SEK/USD	10.16	8.51
Net asset value, SEK	4,482,552,322	3,440,436,451
Net asset value/share, USD		
Net asset value, USD	441,217,625	404,251,283
Number of outstanding shares	1,042,289,978	834,477,168
Net asset value/share, USD	0.42	0.48
Net asset value/share, SEK		
Net asset value, USD	441,217,625	404,251,283
SEK/USD	10.16	8.51
Net asset value, SEK	4,482,552,322	3,440,436,451
Number of outstanding shares	1,042,289,978	834,477,168
Net asset value/share, SEK	4.30	4.12
Premium/discount(–) to NAV		
Net asset value, USD	441,217,625	404,251,283
SEK/USD	10.16	8.51
Net asset value, SEK	4,482,552,322	3,440,436,451
Number of outstanding shares	1,042,289,978	834,477,168
Net asset value/share, SEK	4.30	4.12
Share price, SEK	2.32	3.76
Premium/discount(–) to NAV	-46.0%	-8.7%

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.

Parent company income statement*

Expressed in SEK thousands	1H 2022	2Q 2022
Result from financial assets at fair value through profit or loss	89,077	96,306
Dividend and coupon income	1,926	996
Administrative and operating expenses	-28,501	-13,027
Employee incentives programs	-1,984	-1,984
Operating result	**60,518**	**82,291**
Financial income and expenses		
Interest expense	-7,038	-7,038
Currency exchange gains/losses, net	3,411	4,557
Net financial items	**-3,627**	**-2,481**
Result before tax	**56,891**	**79,810**
Taxation	–	–
Net result for the period	**56,891**	**79,810**

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.

* The Parent Company was incorporated on December 7, 2020, became active on May 28, 2021, and had no transactions between the period of December 7, 2020, and June 30, 2021, therefore there are no available comparative figures for the first six months of 2021.

Parent company balance sheet

Expressed in SEK thousands	Note	Jun 30, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Financial non-current assets			
Shares in subsidiaries		2,337,454	2,027,853
Financial assets at fair value through profit or loss			
Equity financial assets		789,843	592,653
Liquid financial assets		419,219	457,709
Other financial assets		50	244
Total financial non-current assets		**3,546,566**	**3,078,459**
CURRENT ASSETS			
Tax receivables		111	102
Other current receivables		4,404	3,102
Other current receivables, Group		10,201	11,028
Prepaid expenses and accrued income		939	1,245
Cash and cash equivalents		134,111	46,011
Total current assets		**147,766**	**61,488**
TOTAL ASSETS		**3,696,332**	**3,139,947**
SHAREHOLDERS' EQUITY (including net result for the financial period)	5	**3,191,118**	**3,132,572**
NON-CURRENT LIABILITIES			
Long-term debts	6	486,250	–
Total non-current liabilities		**486,250**	**–**
CURRENT LIABILITIES			
Accounts payable		2,285	995
Other current liabilities, Group		1,923	2,744
Other current liabilities		390	588
Accrued expenses		14,366	3,048
Total current liabilities		**18,964**	**7,375**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,696,332**	**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 Jan 1, 2022		**10,963**	**849,376**	**2,272,233**	**3,132,572**
Net result 1H22		–	–	56,892	56,892
Other comprehensive income for the period					
Currency translation difference		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**56,892**	**56,892**
Value of employee services:					
Employee share option scheme	7	–	40	–	40
Share based long-term incentive program	8	–	1,614	–	1,614
Balance at Jun 30, 2022		**10,963**	**851,030**	**2,329,125**	**3,191,118**

* The Parent Company was incorporated on December 7, 2020, became active on May 28, 2021, and had no transactions between the period of December 7, 2020, and June 30, 2021, therefore there are no available comparative figures for the first six months of 2021.

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 June 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, and VEF UK Ltd. VEF Cyprus Limited act as the main investment vehicle for the group, holding thirteen of sixteen 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 the period was SEK 56.9 mln. VEF AB (publ) was incorporated on December 7, 2020, became active on May 28, 2021, and had no transactions between the period of December 7, 2020, and June 30, 2021, therefore there are no available comparative figures for the first six months of 2021. The parent company has four employees per June 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.

This is the fourth financial report of VEF AB (publ) after the redomestication and the comparative figures for the Group presented in this financial report are attributable to the VEF Ltd. Group with VEF Ltd. as the parent Company.

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 capital reorganisation within the Group where VEF AB (publ) has become the new parent company is a transaction under common control. As such, the transaction is excluded from business combinations under IFRS 3 and did not affect the consolidated financial statements of the VEF Group. 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	
	1H22	1H21	1H22	1H21
Key management and Board of Directors [1]	2,219	1,821	–	–

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 looking 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 undertaken 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 Jun 30, 2022

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	48,348	126,143	299,944	474,435
of which:				
Liquidity placements	48,348	–	–	48,348
Shares	–	126,143	297,537	423,680
Convertible and SAFE notes	–	–	2,407	2,407
Total assets	48,348	126,143	299,944	474,435

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

	1H22	1H21
Opening balance Jan 1	25,794	158,181
Transfers from Level 2 to Level 3[1]	588,361	–
Transfers from Level 3 to Level 2[1]	–	-58,437
Change in fair value	-314,211	13,400
Closing balance Jun 30	299,944	113,144

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

As per June 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, Konfío, TransferGo, JUMO, Magnetis, Nibo, minu and REVO are classified as Level 3 investments. The remaining portfolio companies are classified as Level 2 investments. During 1H22, Creditas, Konfío, TransferGo, JUMO, Magnetis 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 2Q22, the portfolio experienced single digit currency headwinds across the board. The holdings valued on the basis of the latest transactions all demonstrate stronger revenue growth profiles compared to their respective peer groups 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
BlackBuck	Latest transaction	3Q21
FinanZero	Latest transaction	2Q22
Finja	Latest transaction	2Q21
Gringo	Latest transaction	1Q22
Juspay	Latest transaction	2Q22
Rupeek	Latest transaction	4Q21
Solfácil	Latest transaction	1Q22

Calibration methodology-based valuations

In 2Q22, similar to 1Q20 during the Covid-19 correction, we use the calibration methodology to value three of our companies. 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 each of the valuations 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 June 30, 2022. Creditas, Konfío and JUMO have all been valued using the calibration methodology.

Mark-to-model-based valuations

While TransferGo, Nibo and minu are valued on the basis of a twelve-months forward looking revenue multiple, Magnetis is based on a relative multiple to AUM. 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 2Q22. Inputs used for each valuation include risk adjusted revenue- and earnings forecasts, local currency moves and listed peer group revenue multiples as of June 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 2Q22 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 LatAm fintech companies. The NTM multiples across the different peer groups per company and valuation range from 0.9x to 14.1x 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	1.2–3.5x	167,837	177,203	186,570	195,936	205,303	214,669	224,036
Konfío	Calibration methodology	0.9–14.1x	53,993	56,349	58,705	61,061	63,417	65,773	68,129
TransferGo	Revenue multiple	1.3–2.8x	15,807	16,580	17,353	18,126	18,899	19,672	20,445
JUMO	Calibration methodology	1.4–8.4x	8,292	8,722	9,152	9,582	10,012	10,445	10,872
Magnetis	AUM multiple	5.2–74.4%	7,071	7,447	7,824	8,200	8,577	8,953	9,330
Nibo	Revenue multiple	5.2–8.8x	5,796	6,089	6,383	6,676	6,969	7,263	7,556
minu	Revenue multiple	1.9–5.2x	318	333	347	362	376	391	406

Change in financial assets at fair value through profit or loss

Company	Jan 1, 2022	Investments/ (divestments), net	Fair value change	Jun 30, 2022	Percentage of portfolio
Creditas	394,123	–	–198,187	195,936	41.3%
Konfío	135,582	–	–74,521	61,061	12.9%
Juspay	42,420	4,098	953	47,471	10.0%
Solfácil	–	20,000	–	20,000	4.2%
TransferGo	29,271	–	–11,145	18,126	3.8%
Rupeek	13,152	–	35	13,188	2.8%
Gringo	–	12,250	–	12,250	2.6%
BlackBuck	10,000	–	–	10,000	2.1%
JUMO	18,409	–	–8,827	9,582	2.0%
FinanZero	11,882	991	–4,575	8,298	1.7%
Magnetis	10,526	1,000	–3,325	8,200	1.7%
Abhi	1,350	448	5,787	7,585	1.6%
Finja	7,351	–	1	7,352	1.5%
Nibo	12,560	–	–5,884	6,676	1.4%
minu	450	–	–88	362	0.1%
REVO	13,235	–	–13,235	–	0.0%
Liquidity investments	50,642	2,000	–4,294	48,348	10.2%
Total	750,953	40,787	–317,305	474,435	100.0%

Note 5 – Share capital

VEF AB (publ)'s share capital per June 30, 2022, is distributed among 1,096,252,478 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 2019, Class C 2020 and Class C 2021 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.

Share class	Number of shares	Number of votes	Share capital (SEK)
Common shares	1,042,289,978	1,042,289,978	10,422,899.78
Class C 2019	12,400,000	12,400,000	124,000.00
Class C 2020	33,250,000	33,250,000	332,500.00
Class C 2021	8,312,500	8,312,500	83,125.00
Total	1,096,252,478	1,096,252,478	10,962,524.78

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 June 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 two running and one completed LTIP programs for management and key personnel in the VEF Group. All three programs, LTIP 2019, 2020 and 2021 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 2019	LTIP 2020	LTIP 2021
Performance measurement period	Jan 2019–Dec 2021	Jan 2020–Dec 2024	Jan 2021–Dec 2025
Vesting period	May 2019–Dec 2021	Nov 2020–Dec 2024	Sept 2021–Dec 2025
Maximum no of shares, Managing Director	4,960,000	13,300,000	3,325,000
Maximum no of shares, others	7,440,000	19,950,000	4,987,500
Maximum no of shares, total	12,400,000	33,250,000	8,312,500
Maximum dilution	1.87%	5.01%	0.79%
Share price on grant date, SEK	2.40	3.14	4.34
Share price on grant date, USD	0.26	0.36	–
Plan share price on grant date, SEK[1]	0.32	0.37	0.62
Plan share price on grant date, USD[1]	0.03	0.04	–
Total employee benefit expense excl. bonuses paid and social taxes (USD mln)	**LTIP 2019[2]**	**LTIP 2020[2]**	**LTIP 2021[2]**
2022	–	0.11	0.06
2021	0.14	0.20	0.02
2020	0.12	0.03	–
2019	0.08	–	–
Total accumulated	0.34	0.34	0.08

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.

Note 9 – Events after the reporting period

In July, Creditas announced the extension of their Series F funding round with a new investment of USD 50 mln as part of a strategic partnership with Andbank, a global private bank. The extension brings the total fundraise to USD 310 mln.

Business combinations under common control

The financial report of VEF AB (publ) after the redomestication and the comparative figures for the group presented in this financial report are attributable to the VEF Ltd. Group with VEF Ltd. as the former parent company. With VEF AB (publ) as the parent company, the applicable accounting policies as well as risks and risk management for the Group and VEF AB (publ) as a stand-alone entity are outlined in the 2021 Annual Report.

Upcoming reporting dates

VEF's financial report for the period January 1, 2022–September 30, 2022 will be published on October 26, 2022.
VEF's financial report for the period January 1, 2022–December 31, 2022 will be published on January 25, 2023.

The Board of Directors and the Managing Director certify that this six-month interim report provides a true and fair overview of the Parent Company and the Group's operations, financial position, and performance for the period, and describes the material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 20, 2022

Lars O Grönstedt
Chairman of the Board

Per Brilioth
Board member

Allison Goldberg
Board member

Hanna Loikkanen
Board member

David Nangle
Board member and Managing Director

For further information contact Managing Director David Nangle or CFO Henrik Stenlund: tel: +46 8 545 015 50.

This report has not been subject to review by the Company's auditors.

VEF

The emerging market fintech investor