



Introduction

Hello and welcome to the Q3 2021 Newsletter from Kreos Capital, where we share recent developments at the firm, the latest activity in our portfolios and market updates from the European and Israeli growth ecosystems.

We have shared some thoughts on the market, as the Europe and Israeli growth eco-system continues on what is looking to be another record year.

Furthermore, in this edition, we have focused more on Healthcare, which is typically +30% of each Kreos portfolio. We have interviews with Thomas Casdagli, Partner at MVM Life Science Partners,

and a 60-second discussion with Renée Aguiar-Lucander, CEO of Calliditas Therapeutics, a late-stage pharma company where Kreos recently made a \$75 million commitment. Later we detail some highlights of recent transactions in the Kreos portfolio as well as introducing readers to Dr. Sonia Benhamida, who joined us at the start of 2021 and who focuses primarily on our Healthcare investments.

We hope that you find the insights helpful. If you would like to discuss any of the themes covered in this newsletter, or get more information about Kreos Capital, please do get in touch.

Kreos Observations

With the end of an extremely busy Q3 2021 – time to take a brief pause before getting ready for more of the same in Q4.

To paraphrase from a recent Tech Crunch article, it has been an “*epic start to 2021*” for European growth fundraising, crushing any preceding year and all but erasing concerns that the continent simply wouldn’t be able to create breakout technology and healthcare companies that can compete globally.

As the pandemic’s grip on large parts of the world is loosening, life is beginning to return to some semblance of normality, and the future is brighter than ever for the European healthcare and technology growth sectors. Analysts at Goldman Sachs recently opined that they “*expect the Technology sector to be a dominant and growing sector through the post-pandemic cycle even though the key growth companies within it may change*”.

A record amount of capital has been raised by new equity funds, a record number of deals have been funded, the pandemic continues to subside globally

as vaccines are rolled out, and realisations this year have further shown the potential and resilience of innovation across these two sectors.

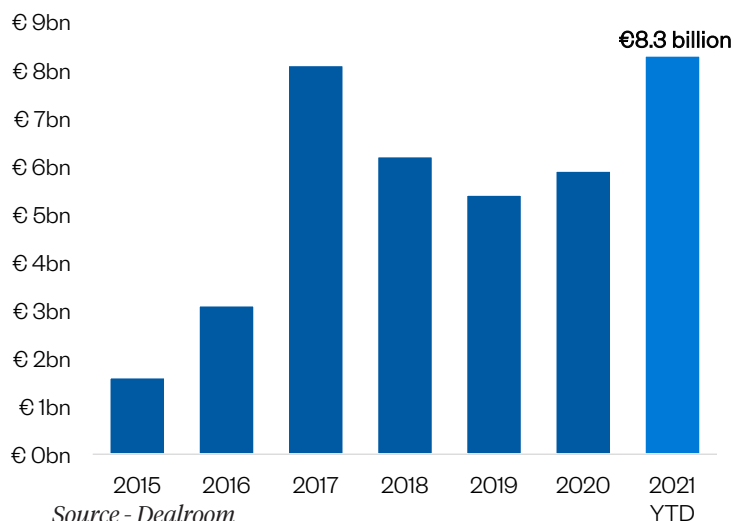
As we noted in last quarter’s newsletter, by the second half of 2020, businesses were adapting rapidly to the changing consumer and enterprise landscape. 2021 has further spurred record amounts of capital to be deployed despite the added considerations of the pandemic, the prospect of slower global economic growth, as well as other social and political complexities.

The European growth capital market attracted €49 billion of investments in the first half of 2021, nearly three times more than the €17 billion recorded in the first six months of 2020. And at the heart of this new momentum is growth debt. According to Silicon Valley Bank, European high-growth companies “*have raised more than €8.3bn of growth debt so far in 2021*”. This is more than at any time in history and is on a growth trajectory (and penetration rate) across the European and Israeli landscape that is greater than that of the US.



Kreos Observations *(cont'd)*

Growth Debt funding in 2021 has already hit record breaking levels in Europe



In Kreos's view, there are many signs that this investment pace and the penetration of growth debt has not yet reached its peak.

- Globally, growth investment reached an all-time high in the second quarter of 2021 - €264bn, according to research from Dealroom, up from €114 billion in the same period in 2020.
- Growth investment in Europe surged to €49bn, a new high for the fourth straight quarter, and an increase of 239%. Comparatively, the US, saw growth investment increase by 128%. Notably, there have been 47 equity rounds of more than €100m so far in 2021, compared to just 12 throughout the whole of 2020.
- The UK, Germany, France, the Nordics, and Israel all hit new investment highs.
- Examples of significant financings this quarter included Trade Republic (\$900m), WeFox (\$650m), Mollie (\$805m), Klarna (\$639m), Starling Bank (\$443m) and Northvolt AB (\$2.75bn).
- Notable IPO's from Europe this quarter included Darktrace, Deliveroo and PensionBee, and from Israel - Playtika, SentinelOne and Riskified.

In the Kreos portfolio, we closed more than €180m

of new transactions during the quarter including: Calliditas (\$75m), McMakler (follow-on €50m), EverC (\$15m), Silk (follow-on - \$12m), Recharge (follow-on - €5m) and Dataguard (€12m).

Concurrently, Kreos has also had a superb quarter in terms of exits with examples such as the IPOs of Riskified (\$3.3bn) and Rockley Photonics (\$1.2bn SPAC) on the Nasdaq, and Mister Spex (€~850m) on the Frankfurt exchange. There was also M&A activity, such as HP Enterprise's purchase of Zerto.

The obvious question is - how long can this possibly continue? Private technology and healthcare companies today "are larger and older than ever before. Instead of it being a bubble, it's more of a reallocation of public capital to private companies" according to Marcelino Pantoja from Stanford University's investment office. This has led to many of the larger pools of capital diverting their considerable resources to earlier and earlier growth stage funding, even raising separate funds for this very purpose. Tiger Global Management for example has invested in over 118 companies in 2021 alone, leading or co-leading deals totalling \$10.5 billion and participated in rounds which totalled a further \$11.5 billion. Pitchbook now says that nearly 50% of all new growth / venture investments are being managed as part of funds larger than \$1bn.

The continued uncertainty of the COVID pandemic has led to a noticeable "flight to quality" and we predict that more emphasis will continue to be placed on the small number of providers that can fund across the life cycle of each asset and scale to match a company's growth.

So, this appears to be a systemic shift and these records for 2021 are backed up by a strong pipeline going forward for the rest of 2021.

In conclusion, many expect Europe and Israel to remain robust particularly in areas such as Fintech, Healthcare tech, sustainability, circular economy, deep tech and cybersecurity. We at Kreos share these views, and anticipate it will continue over the medium to long-term.

Thomas Casdagli, Partner - MVM

Thomas is a Partner at MVM Capital, having joined in 2002.

He is a member of the board of several portfolio companies including eXmoor Pharma Concepts Ltd and eZono GmbH.

Previously he was a director of Valneva SE (EPA: VLA), Alliance Pharma plc (AIM:APH), Lombard Medical Technologies plc (NASDAQ:EVAR), Heptares Ltd (acquired by Sosei Group Corporation), Avantium BV (AMS:AVTX), Onbone Oy, and Xention Pharma.

Before joining MVM, Thomas worked at PricewaterhouseCoopers' Private Equity and Venture Capital practice.

Kreos Capital General Partner Aris Constantinides interviews Thomas Casdagli about MVM Partners' strategy, his views on the current trends in healthcare and opportunities in the space. Kreos and MVM have a co-investment in MDxHealth a publicly-traded diagnostics company in the urology space.

Thomas, thank you for taking the time to speak with us today.

MVM Partners is one of Europe's oldest and most prominent lifescience investors. Can you tell us a bit about your strategy and describe a recent investment?

Thanks Aris - MVM Partners was established in 1997, and we are currently investing out of our fifth fund which we closed in January 2020 at \$325M.

Our strategy is to focus on commercial stage opportunities where we help companies grow and scale up commercially.

A good example of this is a recent investment we made in a company called Paragon28. This company has an extensive portfolio of surgical tools, instruments, and implants developed specifically for foot and ankle surgery. The new financing will enable Paragon 28 to develop and launch new products and fund acquisitions, as well as its continued commercial expansion in the US and international markets.



Your firm is relatively unique in that you have a truly transatlantic presence with offices in both Boston and London. How does that help, if at all, with your investment strategy?

It's true that MVM operates on both sides of the Atlantic and this enables us to review and process transactions more effectively as well as add value following our investment.

We look to form transatlantic teams on every deal (regardless of if it is sourced in the US or Europe) which enables us to add value more effectively.

For example for a US company that wants to commercialize in Europe, our presence in Europe and knowledge of the local markets and healthcare systems can be a big advantage. Similarly for European companies that want to expand in the US, our US presence can be helpful in a similar way.

(interview continues overleaf)



We recognized many years ago that a successful transatlantic presence would require considerable investment by MVM. Over many years we built scale in each geography – MVM partners, deal flow and LPs. We work on deals together and we move our partners between offices to keep strong cohesion and operate as one team. Remote working during the pandemic has been a smooth extension of what we were doing previously.

The pandemic has helped in that respect as it has brought new working patterns that enable us to work in a more integrated way.

Speaking of the pandemic, which has been largely beneficial for the lifesciences sector overall, how has it impacted your investment strategy? Have you seen changes in the market e.g. increasing valuations etc?

Indeed the pandemic has brought about a systemic shift in healthcare practises by accelerating innovation and making processes more efficient.

However, there has also been an overall increase in funds available for lifesciences investments and inherently in company valuations.

For example, it is now typical to see Series A rounds for biotech companies in the triple digit millions, something unheard of a few years ago and valuations have also increased in general due to this higher availability of capital.

We have been investing for 25 years and seen many ups and downs of the market. It is not uncommon for healthcare sectors to go out of favor with investors or become over-valued based on momentum, not revenue.

We believe key aspects of our investing approach enable attractive, more consistent returns across a market of market conditions due to a few tenets. We are very selective, targeting 4 high conviction deals per year. We take time to get to know the companies and look to commit at the right moment where we can see the growth potential. We invest broadly across healthcare – devices, pharma, research tools, diagnostics and digital. This provides a broad lens to find the best deals and smooths out sub-sector volatility.

Commonality across the portfolio is not driven by subsector, it results from innovative products

changing healthcare led by top tier managers.

We also look to provide flexibility to our target companies and can bring in our LPs as co-investors. This avoids the need to bring in other syndicate investors and create large and complicated syndicates.

“The pandemic has brought about a systemic shift in healthcare practises by accelerating innovation & making processes more efficient”

Some great insights there Thomas. As a final point, Kreos and MVM have a joint investment in MDxHealth and have looked at several other opportunities together.

Can you tell me about your experience of working with Kreos and why debt can be an attractive option to a growth equity investor like you?

Less dilution from the debt investment is one element but for us this is not the key parameter.

It is mostly speed of execution Kreos provides and a degree of certainty in closing the transaction.

If we want to bring in additional capital to complement our equity investment it is much more efficient to bring in debt as Kreos's processes are much more streamlined and aligned with ours than if we take the opportunity to another equity fund.

Additionally there is less management distraction as we want management to be running the business and not spending too much time raising capital.

Kreos's ability to execute quickly and with certainty is therefore a big plus.

Thank you Thomas it has been great to get your insightful views and we look forward to working together on future transactions soon.

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MVM LIFE SCIENCE PARTNERS LLP



60 Seconds: Renée Aguiar-Lucander CEO, Calliditas Therapeutics

Renée Aguiar-Lucander is CEO of Calliditas Therapeutics, a NASDAQ listed company that develops novel treatments for rare diseases including IgA Nephropathy, a rare condition affecting hundreds of thousands of people in the US and Europe. Renée has been CEO since 2017, and took the company public in 2018.

Prior to Calliditas, Renée was an investment banker at Lehman Brothers and a growth investor with 3i and Omega Partners, two very reputable life science investment firms.

Kreos provided a \$75m loan facility for Calliditas in July 2021.

Kreos Capital General Partner, Aris Constantinides, interviews Renée to discuss her time at Calliditas and future ambitions for the company.

Renée, you've had an interesting career to date - starting as an investment banker, continuing as a successful investor with 3i and Omega, and finally taking the executive role at Calliditas. How you have found the transition from investor to executive leadership and what have been the highlights along the way?

Thanks Aris. As an advisor you spend some time with a company and then you move onto the next deal so there is very little continuity.

As an investor you typically have a longer-term commitment, often spanning across several years, and you may sit on their board and express your views, but you still don't really make the ultimate decisions affecting a business.

As a CEO you are responsible for building the team, setting the strategy, and communicating your vision to a wider audience. You are the ultimate decision maker.

What were some of the key learnings that you brought into the CEO role?

Having spent 12 years on several life science company boards and looking at many projects I got a sense of

what works and doesn't work. This has informed a lot of my decisions, helping me avoid mistakes.

Additionally, European teams are typically very focused on the science but don't necessarily have much experience of long-term financial planning or capital raising through different financing events or products.

Knowing what one needs to show to investors to be able to attract capital and understanding the requirements of the market and financial community were important learnings I brought to the role.

You took Calliditas public in 2018, and it is now listed on NASDAQ in both US and Europe.

Can you tell us some experiences of taking a company public as well as some of the differences in raising money between Europe and US?

The IPO process is a great learning experience for any CEO as, by interacting with knowledgeable advisors, research analysts, lawyers, investors, who conduct a thorough review of all parts of the organization, you see aspects of your company that you might not have had just being on the inside.

(interview continues overleaf)



Of course, it is a time-consuming and information-intensive process that requires a lot of revision, attention to detail and a great degree of preparation and organization.

For a successful IPO you need to spend time thinking through the syndicate you want, the research analysts you want covering your company as well as having an extremely clear understanding of your strategy within your sector and immediate environment.

Raising money in the US and Europe is different since capital markets in US are deep and broad and can sustain large numbers of specialist investors. There is an impressive expertise amongst US investors, who are well read, informed, and specialized in a narrow field, allowing for deeper and more detailed interactions especially around the science.

As the pool of European life science companies is not as deep as in the US, European investors are naturally more generalist and broader in outlook.

Calliditas is expecting regulatory approvals in the near term which will allow you to start commercializing Nefecon in the US and Europe. What are the challenges for an organization like Calliditas when it transitions from development/clinical stage to commercial stage?

This is an important juncture for the company as you need to build an entirely new skill base which did not exist before.

The first challenge is recruiting, especially with regards to the senior team tasked to lead the commercial effort.

Next, it is necessary to create clear communication channels across the organization, ensuring the appropriate flow of information between functional areas so employees can make the connections to these new areas of competence. Education is important so that the different functions understand the issues affecting the other divisions, for example the commercial organization needs to understand clinical processes as well as supply chain and manufacturing issues and vice-versa.

Finally, a broader skillset is required from the senior management team as the complexity of managing the entire organization increases.

What are your ambitions for Calliditas and what are the key ingredients for the company to achieve its true potential?

We want to build an independent late-stage spec pharma company, focused on orphan indications/rare diseases, vertically integrated all the way from R&D to commercial with primarily a commercial focus in the US and an R&D focus in Europe. Having a broader asset platform, built both organically and through acquisition is helpful as it diversifies the risk from individual assets, optimizing the company's risk/reward profile and allows us to build a sustainable long-term strategy.

You are one of the few female CEOs of European life science companies. What can be done to attract more female leaders to the healthcare space?

Having women in operational leadership roles where they are responsible for certain aspects of a business including the budget is a very helpful experience and a good place to start. Positive reinforcement is also important, for example, recruitment processes for senior positions should target having several female candidates included. When hiring it is easy/comfortable to fall back on existing networks and patterns that are typically more male-dominated so to help in trying to break some of the established recruitment paths and being more inclusive will raise awareness of these issues in the organization and lead to better overall outcomes.

Finally what advice would you give a younger entrepreneur starting a career in lifesciences?

Networking is most important so go out and meet people in your industry and get to know them. Also having a mentor is very important, particularly for women. Finally, never be afraid to ask questions. By being curious and reaching out to people when you don't know something is the only way you will learn. People are generally more open to talk than you typically assume and even if they say "that's the way it is" don't be afraid to challenge them.

Our thanks to Renée for this thoughtful contribution.

calliditas
THERAPEUTICS

Portfolio update

Recent featured transactions, follow ons & exits

Recent New & Follow-on Investments



Central (formerly known as GameEffective) is a performance management and eLearning tool measuring progress and managing performance targets within businesses. Having previously provided a smaller facility in a prior fund, Kreos provided a further \$15 million facility in Q2 2021 as the company maintains a strong growth trajectory and continues to scale.

DataGuard

DataGuard is a SaaS business in the data privacy and information security compliance space. The product is targeted at mid-sized companies that do that have a specialised in-house compliance/data protection function. Kreos provided the company with a €12 million facility in Q3 2021.

McMakler

McMakler is a full-service real estate agent combining both a digital platform with on-site, personalised service. The company's offering seeks to improve the real estate agency model by improving the experience for buyers, sellers and brokers. Kreos originally partnered with the company in 2020, and provided an additional €50 million to the company in Q3 2021 as part of our follow-on strategy.



PlusDental is a German-based digital health company in the area of orthodontics. Kreos has partnered twice with PlusDental as the company continues to growth. The most recent €20 million facility was completed in Q2 2021 as part of our follow-on investment strategy, in order to fund further growth and internationalisation.

Recent Exits



Aircall is a multipurpose VOIP/telephony platform tailored to the SME and customer service market. Following a large follow-on financing round, the company chose to fully repay its loan facility. The company continues to perform well, and Kreos maintains a yield enhancement position in the company.



Mister Spex is a leading online retailer in the German eyewear market which includes contact lenses and prescription glasses, as well as prescription and non-prescription sunglasses. In Q3 2021, the company successfully completed an IPO on to the Frankfurt Stock Exchange at a valuation in excess of €850 million, generating a substantial yield enhancement gain for Kreos LPs.



Riskified is an Israel-based provider of an anti-fraud risk management software service directed at e-commerce businesses. In Q3 2021, the company successfully completed an IPO, listing on the US stock exchange at a valuation in excess of \$3.3 billion, generating a substantial yield enhancement gain for Kreos LPs.



Zerto has developed an IT Resilience platform to address enterprise needs for disaster recovery, workload mobility and multi-clouds processes. In Q3 2021, the company was acquired for \$374 million by Hewlett Packard Enterprises, fully repaying the large outstanding Kreos debt facility, and generating a substantial yield enhancement gain for Kreos LPs.

A subset of our portfolio



Team spotlight



Dr. Sonia Benhamida, Principal - Healthcare

Sonia joined Kreos in early 2021, and supports the General Partners in the entire deal life cycle including identifying, assessing, and performing investment analysis, as well as post investment monitoring - with a focus on the Healthcare sector.

Prior to joining Kreos, Sonia was a Senior VP responsible for Healthcare Corporate Banking CEMEA at DNB, overseeing the client portfolio, managing relationships, and providing financing to mid-size and large companies in the sector. Prior to this, Sonia was a VP of Business Development at Ipsen, in charge of in-licensing and acquiring new drug candidates from early to late stages of development and served as an M&A Manager at Rothschild & Co.

Sonia is a former assistant professor and researcher at CentraleSupélec School of Engineering. She holds an MBA from HEC School of Management, and a PhD in Molecular and Cellular Biology from Université de Paris.

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