

## Tech stock investor Bailador bets on tailwinds for sector



Tuesday 9 Feb 2016

### **Bailador Technology Investments (BTI) 94.5c**

Given the choice of heading legacy media and printing dinosaurs or being free to pick up-and-coming tech investments, David Kirk knows where he would rather be.

“I have worked in sectors with headwinds and tailwinds and working for those with tailwinds is more fun,” says the former CEO of Fairfax Media and PMP (and current chairman of Trade Me). After leaving Fairfax in 2008, Kirk teamed with Champ co-founder Paul Wilson to create tech stock picker Bailador, which listed in November 2014 in a \$62m raising.

Since then, the fund claims an annual return of 24.5 per cent.

Bailador yesterday was doing the rounds of next month’s expiry of the free options the IPO investors received on a one-for-one basis. With the options exercisable at \$1 a share, the imperative is to boost Bailador’s share price closer to the fund’s net tangible asset value of \$1.25 a share.

Given Nasdaq’s meltdown on Friday, it’s an inauspicious time to be seeking dough. On the bright side, the reality check should make more investments more palatable as vendors revise their lofty expectations.

“I think bubble is too strong a word but there has been some overvaluation in the business-to-consumer sector on the basis of huge (addressable) global markets,” he says.

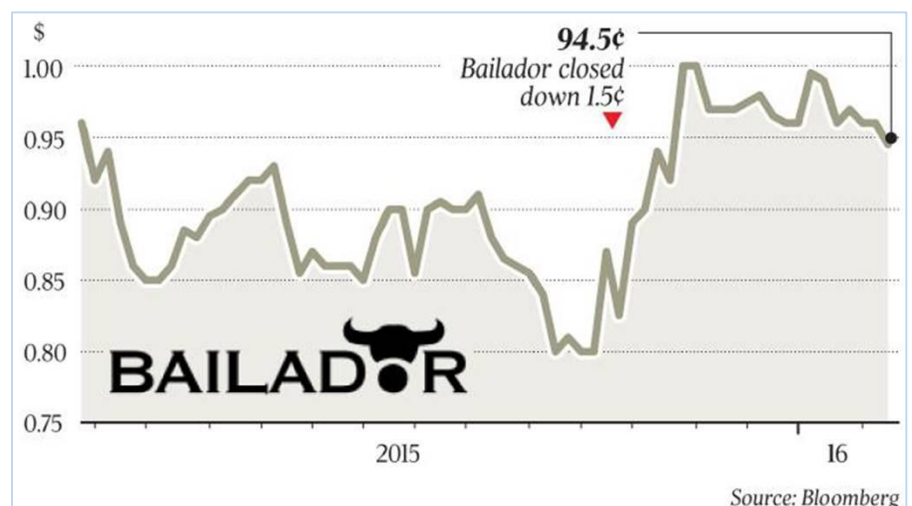
Bailador invests in unlisted plays, the sweet spot being \$2m-\$10m of recurring revenue. It always takes a board seat and uses convertible preference shares that cap the downside without crimping the potential gains.

Bailador's seven investments to date include hotel booking portal SiteMinder, semi-automated language translation tool Straker and advertising data aggregator Standard Media Index.

Kirk argues Bailador's valuations are conservative, based on either the historic cost of the investment or a "third party" validation. For instance, SiteMinder was revalued after Bailador sold down a \$5m stake at 45 per cent above carrying value. Straker was also upwardly revalued after an investor pitched in at a 20 per cent premium to book value.

Bailador argues that similar funds globally trade at a premium to net asset value, such as Imperial Innovations of Britain, which has changed hands at up to 50 per cent above the odds.

We rate Bailador as a **spec buy** assuming the share price creeps closer to NTA valuation on the roadshow jawboning — and not the other way.



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