

Bailador Technology Investments [ASX:BTI] Shareholder Update

About Bailador

Bailador Technology Investments is a growth capital fund focused on the information technology sector, actively managed by an experienced team with demonstrated sector expertise.

Bailador provides exposure to a portfolio of information technology companies with global addressable markets. We invest in private technology companies at the expansion stage.

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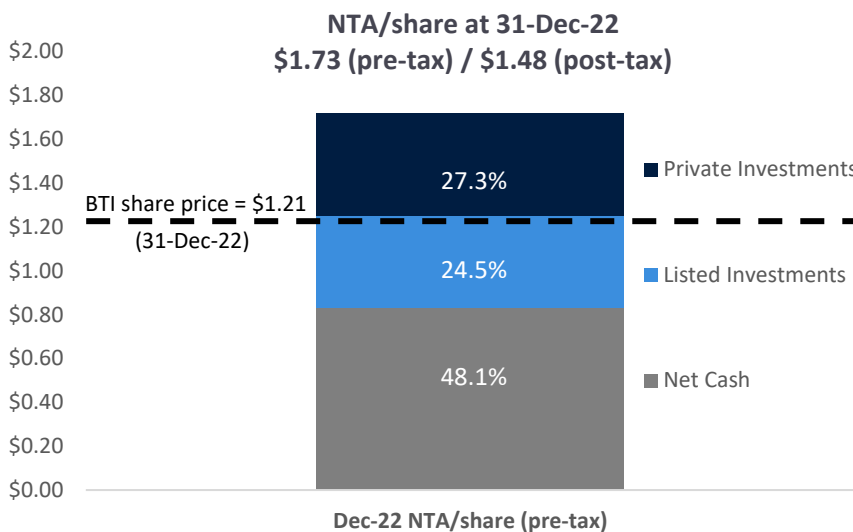
Notes:

¹Portfolio return calculated as the compound annual growth in NTA per share (pre-tax) plus dividends paid.

²Shareholder return calculated as the compound annual growth in BTI share price plus dividends paid.

This report was authorised for release to the ASX by Helen Foley, Company Secretary & Chief Financial Officer, on 12 January 2023.

Net Tangible Asset Snapshot



Fund Performance

Annual returns to 31 Dec 2022	1-Year	2 Years	3 Years
Portfolio Return (%pa) ¹	-3.6%	14.5%	12.3%
Shareholder Return (%pa) ²	-11.6%	6.3%	5.9%
Performance vs Benchmark			
S&P ASX All Tech Index [ASX:XTX]	-32.8%	-16.5%	+0.4%
Shareholder Return vs Benchmark	+21.2%	+22.9%	+5.5%

Notes: Refer left margin.

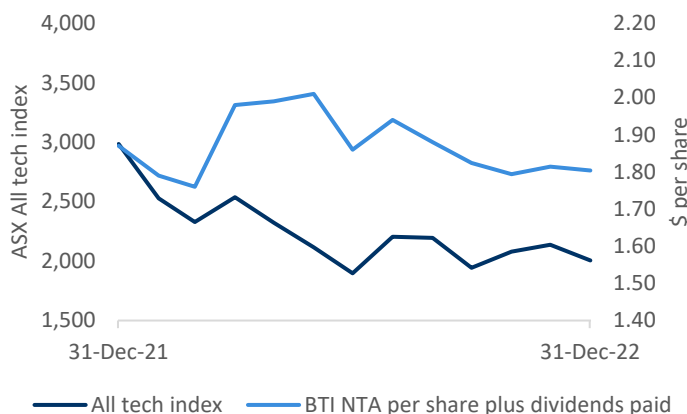
Founders' Commentary

Reflections on an unusual year in 2022 and expectations for 2023

Our final Founder's Commentary for calendar year 2022 is a good time to reflect on what has been a very different kind of year for the firm and our team.

The backdrop to the 2022 calendar year was a sharp decline in the valuations of private and publicly listed information technology companies. In Australia the ASX All Technology Index declined 32.8% and the valuations of many smaller listed information technology companies declined by much more. Private information technology company valuations also declined in the year but with a lag. More on this later.

The BTI investment performance measured as NTA plus dividends paid significantly outperformed the All Tech Index for the calendar year as shown in the chart below.



In May 2022 we received cash proceeds of \$138 million from the full sales of portfolio companies InstaClustr and Standard Media Index. The work to conclude these sales was largely completed in late 2021 during the period of continuing high valuations.

This inflow of cash allowed us to pay a fully franked special dividend of 2% of NTA per share and to put in place a continuing fully franked dividend payment of 4% of NTA per share per annum (paid semi-annually). This modest restructuring of the way in which we deliver returns to shareholders – adding 4% plus per annum from dividend payments to continuing high returns from the capital appreciation of investee companies – brings forward and de-risks returns to shareholders. Calculating the dividend payment as a percentage of NTA also has the benefit of tethering the share price to the NTA. Any decline in share price increases the dividend yield on a stable NTA per share. At the 31 December share price, our annualised 4% pa dividend based on the December pre-tax NTA represents a dividend yield of 5.7% and 8.1% when grossed up for franking credits. We will pay 2% of our December pre-tax NTA following release of our interim results.

In the calendar year, we added no new companies to the investment portfolio and invested additional capital into just two of our current portfolio companies. The latter is a result of current portfolio companies being well capitalised and continuing to trade well as the effects of Covid waned. The lack of new investments in new portfolio companies is, on the face of it, more puzzling.

We looked at hundreds of potential new investments in calendar year 2022. Our team has become expert at preparing the brief overview papers we call “Blue papers” and presenting them to the Investment Committee each week. But not one new company has been invested in. There are two main reasons for this.

First is what has been going on with valuations in private companies. While public company valuations reacted almost immediately to high inflation and interest rate rises, private company valuations did not. Initially there was denial. Private companies continued to ask for revenue multiple valuations that were being achieved in mid-2021. We simply declined to consider these. As the year wore on, entrepreneurs and their advisors began to understand the world had changed. Now they switched to holding absolute value flat but reducing (somewhat) revenue multiple valuation expectations. Unfortunately, almost invariably the growth achieved since the previous valuation was not enough to deliver a sensible revenue multiple or enterprise valuation. Next came smaller internal rounds, sometimes in the form of unpriced convertible securities that converted at a discount to the next round price, whatever that should be. All in all, the necessary revaluation of high-growth unprofitable private information technology companies took time to work itself through but this is now happening.

The second reason for our hit rate of zero on new company investments in calendar 2022, despite sitting on a pile of cash, is the very high bar we set for investment. Our focus is building and maintaining a concentrated portfolio of very high-quality information technology businesses invested in at the expansion stage, usually with a global growth opportunity where we believe we can make a difference. No doubt we are too conservative in some cases, but we know from experience the old saying, “invest in haste, repent at leisure” remains as true today as it was yesterday.

We don’t expect to see a rapid recovery from the challenging economic conditions of 2022 in 2023, and we do expect to make new investments in calendar year 2023. Valuations are steadily becoming more appropriate, and we believe our style of careful and engaged investing, which was somewhat by-passed during the easy money days, will again prove attractive to founders and their management teams.

We thank you again for your support in 2022 and look forward to a successful 2023.

David Kirk & Paul Wilson
Bailador Co-Founders

Highlights

Investment Focus

Bailador typically invests \$5 - 20 million in businesses within the technology sector that are seeking growth stage investment.

Companies we invest in typically share the following characteristics:

- Run by the Founders
- Two to six years in operation
- Proven business model with attractive unit economics
- International revenue generation
- Huge market opportunity
- Ability to generate repeat revenue

Important verticals we seek to invest in within the technology sector include: SaaS and other subscription-based internet businesses, online marketplaces, software, e-commerce, high value data, online education, telecommunication applications and services.

Movement in NTA

BTI's NTA per share (pre-tax) at close of December 2022 was \$1.73 (November 2022 \$1.74). Key movements in NTA per share during December were:

Portfolio valuations	
Increase in valuation of Access Telehealth	2.1c per share
Decrease in SiteMinder (ASX:SDR) share price to \$3.04 (November 2022 \$3.20)	-1.9c per share
Decrease in Straker Translations (ASX:STG) share price to \$1.10 (November 2022 \$1.27)	-1.1c per share
Other operating expenses	-0.1c per share

Throughout FY22, Bailador completed the realisations of Instacluster and Standard Media Index. The realisations have crystallised taxable gains and provide certainty around tax payable on the gains. The tax payable is expected to be paid in February 2023 and is estimated to move ~21 cents per share from pre-tax NTA to the company's franking account allowing the company to pay fully franked dividends.

SiteMinder

SiteMinder announced two new changes to its executive leadership team. [Jonathan Kenny has been promoted to Chief Operating Officer, and Tim Howard joins as Chief Financial Officer.](#)

Jonathan Kenny has been CFO at SiteMinder since 2018 and has more than 20 years' experience scaling large operational teams in both public and private companies. He was previously COO at ASX-listed RP Data (Corelogic), and CFO and interim CEO at ASX-listed 3PL.

Tim Howard has more than 20 years of commercial and corporate finance experience in technology companies and joins SiteMinder from his previous role as CFO and COO at data analytics and AI-enabled messaging platform Ortto (previously Autopilot). He was also previously an Operating Partner at PE firm Allegro Funds, and spent 11 years with Apple in multiple roles, including CFO of the Education and Retail Channels in EMEA and Head of Commercial in APAC.

Access Telehealth

Access Telehealth is in the process of completing a \$7m capital raise from existing shareholders. Bailador has applied for \$3.5m as part of this capital raise. The terms of the capital raise are such that BTI will secure contractual liquidity preference for all its money invested. Accordingly, BTI is revaluing its existing carrying value to \$12.5m which reflects the original investment cost. BTI is yet to be informed of its final allocation in the capital raise and will update the Access Telehealth carrying value to reflect this additional investment in the January 2023 shareholder update.

Straker Translations

[Grant Straker, Co-Founder and CEO of Straker Translations, was a guest on Stockhead's Unicorns Podcast.](#) Grant spoke to host Justin Kelly about what it takes to build a successful company, how to overcome challenges and his advice for those on a similar journey.

nosto  **Nosto**

Nosto [announced it acquired Findologic, an AI-powered ecommerce search leader in Germany, Austria and Switzerland](#). The company was founded in 2008 and has 50 employees with offices in Austria, Germany and the UK. This is the third acquisition for Nosto in 18 months as it moves to become the technology of choice for ecommerce site search and cement its position as the leading CXP for online brands globally.

MOSH **Mosh**

BTI completed its annual valuation review of Mosh in December and decided to leave the carrying value unchanged at \$7.5m. BTI holds a convertible note in Mosh which converts at a discount to a future valuation.

BROSA **Brosa**

Brosa was placed into voluntary administration on December 14th. As BTI was already holding its value of Brosa at \$nil there is no impact to the NTA.

Important Notice

Bailador Investment Management Pty Ltd ACN 143 060 511 ('Manager') has prepared the information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in BTI, nor does it constitute financial product or investment advice, nor take into account your investment, objectives, taxation situation, financial situation or needs. Any investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of BTI and conduct its own investigations and analysis. Past performance is not a reliable indicator or future performance.

¹The Board reserves the right to amend or suspend the Dividend Policy at any time and neither the Company nor the Board gives any representation, assurance or guarantee that any estimate or forecast or statement of intention in the Dividend Policy will be achieved.

BTI Portfolio Net Tangible Asset Summary

	Valuation (\$'m)	Gain (%)		NTA per share (\$)	Third Party Event Valuation	Next Valuation Review ¹
SiteMinder	50.8	329%	▲	0.35	✓	Mark to market each month end
InstantScripts	24.4	21%	▲	0.17	✓	August 2023
Rezdy	14.3	58%	▲	0.10	✓	October 2023
Access Telehealth	12.5	0%	▶	0.09		December 2023
Straker Translations	10.1	4%	▲	0.07	✓	Mark to market each month end
Nosto	9.2	(19%)	▼	0.06		June 2023
Mosh	7.5	0%	▶	0.05	✓	December 2023
Brosa	0.0	(100%)	▼	0.00		Final report December 2022
Cash	115.1			0.80		
Other ²	4.4			0.04		
Net Asset Value / Net Asset Value Per Share (Pre Tax)	248.3			1.73		

Denotes change to valuation in current month

Denotes valuation review in next six months

¹ Next valuation review date refers to the date of the next formal valuation review. Valuation events can also occur in a shorter time frame where there is a third-party investment or a valuation change material to BTI.

² Includes provision for performance fee.

Please Note: Figures in this report are unaudited and exclude tax. The current value for each investment in the table above is consistent with the BTI investment valuation policy, which may be found in the BTI prospectus lodged with ASIC on 3rd October 2014 and available on the ASX website.

Portfolio Company Details



Name:	SiteMinder	InstantScripts	Rezdy	Access Telehealth
Type:	SaaS/B2B	Digital Healthcare/B2C	SaaS	Digital Healthcare/B2C
About:	World leader in hotel channel management and distribution solutions for online accommodation bookings	Digital platform enabling convenient access to high quality doctor care and routine prescription medication	Leading, innovative and fast growing online channel manager and booking software platform for tours & activities	Specialist telehealth platform connecting Australian communities to high-quality healthcare
HQ:	Sydney	Melbourne	Sydney	Melbourne
Staff:	750-1000	1-50	100-250	100-250



Name:	Straker Translations	Nosto	Mosh
Type:	Marketplace/Machine Learning	SaaS/B2B	Digital Healthcare/B2C
About:	Digital language translation services provider and one of the world's fastest growing translation companies	Leading AI-powered e-commerce personalisation platform	Digital healthcare brand making men's health and wellness easily accessible via subscription treatment plans
HQ:	Auckland	Helsinki	Sydney
Staff:	250-500	100-250	1-50