

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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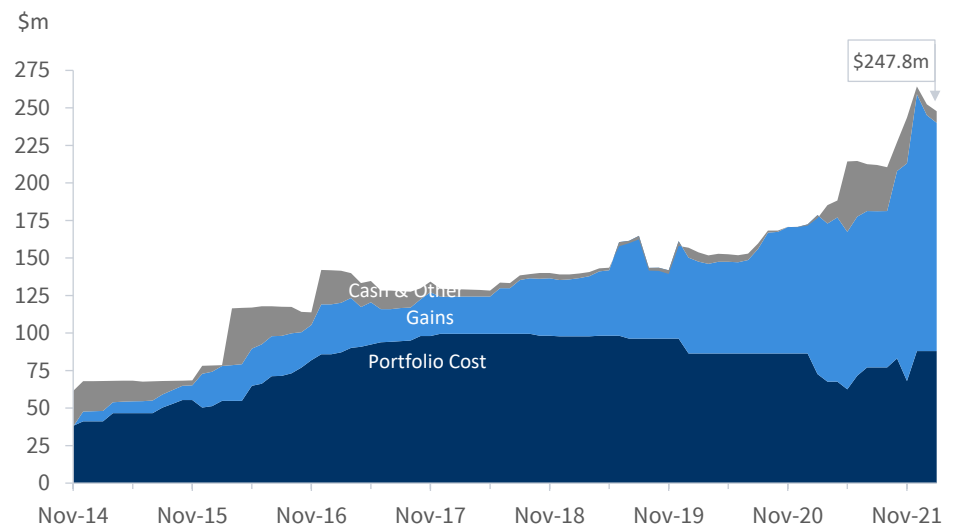
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This report was authorised for release to the ASX by Helen Plesek, Company Secretary & Chief Financial Officer, on 10 March 2022.

Net Tangible Asset Snapshot

	Current month
NTA per share pre-tax	\$1.76
NTA per share post-tax	\$1.52

Net Tangible Asset Breakdown Since Inception



Founders' Commentary

Not all valuations are created equal

The decline in valuation of the information technology sector and of specific companies in the sector has been significant in the last three months. In this month's Founders' Commentary, we discuss what has driven this sector-wide decline in valuation and more importantly what has driven the divergence in decline in valuation amongst technology companies. Understanding why some technology companies have declined in value more than others provides insight into the potential future path of company valuations in the sector.

We begin by comparing the change in valuation of the most relevant comparable set to Bailador Technology Investments (BTI). We set the bar high in our choice of the much followed and favoured WAAX quartet – WiseTech Global, Appen, Altium and Xero. To these four we add the ASX 200 Information Technology Index and SiteMinder. Here are the numbers:

Change in Valuation of Selected ASX listed Information Technology Companies and the ASX 200 IT Index

WiseTech Global	-12.7%
SiteMinder	-17.9%
Bailador Technology Investments	-20.3%
Altium	-22.9%
Appen	-26.6%
ASX 200 Information Technology Index	-30.2%
Xero	-31.7%

Period: 3 months (December 7th 2021 to March 7th 2022)

Given the wide divergence in valuation decline amongst a group of the most successful listed information technology stocks on the ASX, it is natural to ask what component of the decline in valuations is a result of market-wide influences, such as the rise in interest rates, and what component of the decline is a result of company-specific factors?

The decline in value caused by market-wide factors can be estimated in two ways. First, we know that the decline is made up of market-wide factors which affect all companies equally and company-specific factors which affect each company differently. We start by establishing a baseline of the market-wide factors by assuming that the company that has had the least decline in value is solely influenced by market-wide factors. That company is WiseTech Global so we start with around 13% as the minimum decline caused by market-wide factors. We say minimum because some company specific good news for WiseTech Global in the period may have offset the market-wide decline. Second, we take the company trading at the lowest valuation multiple at the beginning of the period. Given the market-wide factors affect all companies to the same extent, the company with the lowest valuation multiple will have the lowest percentage reduction in valuation. That company is Bailador Technology Investments (BTI). BTI declined by 20% in the period. Therefore, we estimate that the decline in valuations caused by market-wide influences (increases in interest rates and the war in Ukraine being the big two) is around 15-20%.

Allowing for the customary overshoot in market corrections we estimate that the “re-setting” of technology company valuations at a lower level that will persist so long as interest rates are moving upward or are steady at a higher level, caused by market-wide factors, is about 10-15%. We hope shareholders in BTI and investors in information technology companies generally, are starting to feel a bit better right about now. The decline in the valuations of information technology companies caused by macroeconomic factors is a healthy correction of 10-15%, establishing a new base from which high quality information technology companies will continue to grow strongly for many years to come.

The reason why information technology companies have grown so fast in the last 10 years and why four of the five largest companies in the world are IT/internet companies, is because they have access to huge global markets, have highly differentiated products, are growing fast and deliver very high returns on equity. None of this will change in the foreseeable future.

The remainder of the decline in valuation for the companies in our sample set is caused by company-specific factors. We don't know what these company specific factors are, and it is not appropriate for us to speculate, but analytically we know two factors will be relevant.

The first is starting valuation. When there is a reset of valuations, a company with a very high valuation multiple, other things being equal, will fall further in percentage terms than a company with a lower valuation multiple. The second company specific issue driving a greater percentage fall in valuation when interest rates rise is estimated time to forecast positive cash flow. Higher interest rates increase the cost of both debt and equity capital, thus reducing the return on capital for all companies and delivering the market-wide reduction in valuation – estimated to be 10-15% – discussed above.

But not all valuations are created equal. The current shareholders of a company burning a lot of cash and not forecast to be cashflow positive for many years will be more negatively affected by an increase in the cost of capital than a company producing positive cashflow. This is because future funders of the company burning cash will require a higher return on their capital (because capital is more expensive) than in the past, which, other things being equal, means they will need to invest at a lower valuation. This is particularly true for smaller, risky companies and almost certainly the reason why the ASX 200 IT Index has the second worst

valuation performance of our sample set. It contains a lot of small risky companies that will in the future only attract expensive capital at low valuations.

Finally, how does the above analysis map onto the BTI portfolio?

1. SiteMinder was appropriately valued at IPO and remains conservatively valued compared to peers. SiteMinder has high gross margins, a world leading market position and has a big upside opportunity in the reopening of global travel. It is no surprise SiteMinder's valuation has declined less than all but one other company in the sample set.
2. The entire BTI portfolio is conservatively valued, most of the BTI investee companies are cashflow positive or cashflow breakeven, all are well financed, and the most recent investments have been in the health-care sector which is a non-discretionary consumable. It is no surprise that in the last three months BTI has performed better than all but SiteMinder and one other company in the sample set.

Our best advice to fellow shareholders is hold your nerve and sit tight, the fundamentals are on our side.

David Kirk & Paul Wilson
Bailador Co-Founders

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.

Highlights

Investment Focus

Bailador typically invests \$5 million or more 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 February 2022 was \$1.76 (January 2022 \$1.79). Key movements in NTA per share during December were:

Decrease SiteMinder (ASX:SDR) share price to \$5.70 (January 2022 \$5.89)	-2.3c per share
Decrease in Straker Translations share price to \$1.39 (January 2022 \$1.60)	-1.4c per share
Operating expenses	0.7c per share

Operating expenses include provision for performance fee not yet payable, with any payment of performance fee dependent on the Company completing FY2022 in excess of the 8% compound hurdle rate.

The reduction in NTA in February reduced the performance fee accrual leading to a positive operating expense change for the month.

SiteMinder

SiteMinder [released its results for the six months ended 31 December 2021](#) which marked its first half-year report as an ASX-listed company since its IPO in November 2021. SiteMinder's performance demonstrated reacceleration, in line with the continued reopening of travel globally and the company's rebuilding of its go-to-market capacity, which was reduced as part of its response to the COVID-19 pandemic in early 2020. The [AFR spoke to SiteMinder CEO Sankar Narayan](#) about the results.

SiteMinder [announced it is joining both the S&P/ASX 300 Index and All Technology Index](#) from March 21.

Instaclustr

Steve Francis, Chief Revenue Officer and EVP GTM Operations at Instaclustr, [spoke to theCUBE](#) as part of the AWS Startup Showcase.

In the [latest episode of Instaclustr's Instablinks video series](#), Anil Inamdar, VP of Consulting and Enablement Services, discussed some of the key pros and cons for insourcing and outsourcing.

Nosto

Nosto [announced new email widgets](#) to make it easier for users to create, manage and analyse email campaigns.

InstantScripts

Instant Scripts [launched The Green Doc](#), an Australian online healthcare practice that specialises in medicinal cannabis. Medicinal cannabis is a legal medication that can be prescribed for people by their doctor. There are various types of medicinal cannabis products that are available to treat chronic healthcare conditions. The Green Doc patients can speak to a doctor via a telehealth consultation and, if prescribed by a Green Doc doctor, medicinal cannabis is delivered to their home via Express Post.

Brosa

Rushabh Sanghavi, Brosa's Chief Commercial Officer, was included in [Inside Retail's Top 50 people in e-commerce](#).

Mosh

Mosh announced it is the official Men's Health Partner of the Manly Warringah Sea Eagles for their 2022 campaign.

BTI Portfolio Net Tangible Asset Summary

	Valuation (\$'m)	Gain (%)		NTA per share (\$)	Third Party Event Valuation	Next Valuation Review ¹
SiteMinder	95.3	565%	▲	0.68	✓	Mark to market each month end
Instaclustr	63.4	659%	▲	0.45	✓	December 2022
Rezdy	12.8	69%	▲	0.09	✓	October 2022
Straker Translations	12.7	25%	▲	0.09	✓	Mark to market each month end
Access Telehealth	12.5	0%	▶	0.09	✓	December 2022
Standard Media Index	12.1	63%	▲	0.09		June 2022
Nosto	11.5	3%	▲	0.08	✓	May 2022
Instant Scripts	7.8	4%	▲	0.06	✓	October 2022
Mosh	7.5	0%	▶	0.05	✓	December 2022
Brosa	4.5	49%	▲	0.03		October 2022
Cash	14.8			0.11		
Other ²	-7.1			-0.06		
Net Asset Value / Net Asset Value Per Share (Pre Tax)	247.8			1.76		

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 not yet payable, with any payment of performance fee dependent on the Company completing FY2022 in excess of the 8% compound hurdle rate.

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	Instaclustr	Rezdy	Straker Translations	Access Telehealth
Type:	SaaS/B2B	DBaaS/B2B	SaaS	Marketplace/Machine Learning	Digital Healthcare/B2C
About:	World leader in hotel channel management and distribution solutions for online accommodation bookings	Open source data platform for cloud-based solutions that require immense scale	Leading, innovative and fast growing online channel manager and booking software platform for tours & activities	Digital language translation services provider and one of the world's fastest growing translation companies	Specialist telehealth platform connecting Australian communities to high-quality healthcare
HQ:	Sydney	Canberra	Sydney	Auckland	Melbourne
Staff:	750-1000	100-250	100-250	100-250	50-100



Name:	SMI	Nosto	InstantScripts	Mosh	Brosa
Type:	SaaS/Big Data	SaaS/B2B	Digital Healthcare/B2C	Digital Healthcare/B2C	Online Retail/B2C
About:	Big data aggregation and analysis platform with exclusive access to ad expenditure data	Leading AI-powered e-commerce personalisation platform	Digital platform enabling convenient access to high quality doctor care and routine prescription medication	Digital healthcare brand making men's health and wellness easily accessible via subscription treatment plans	Tech-led, vertically integrated furniture brand and online retailer
HQ:	New York	Helsinki	Melbourne	Sydney	Melbourne
Staff:	1-50	100-250	1-50	1-50	50-100