

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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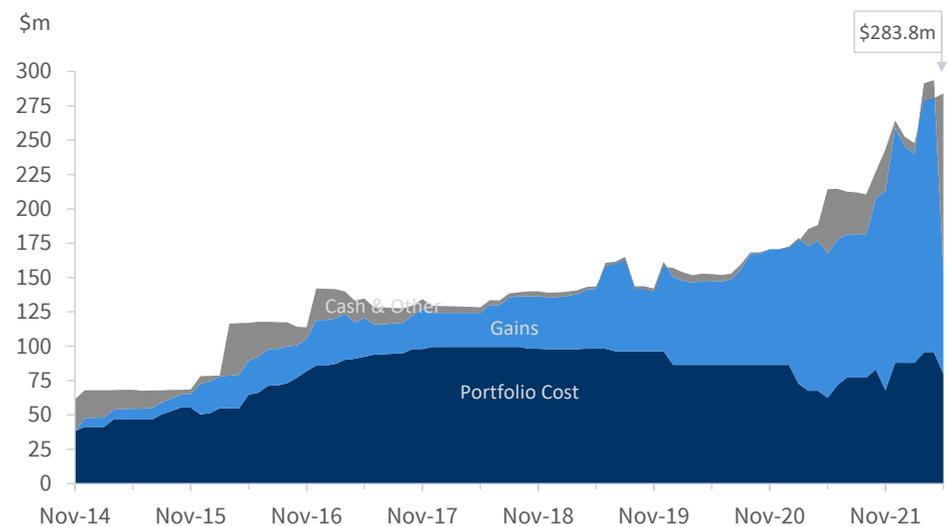
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This report was authorised for release to the ASX by Helen Plesek, Company Secretary & Chief Financial Officer, on 8 June 2022.

Net Tangible Asset Snapshot

	Current month
NTA per share pre-tax	\$2.01
NTA per share post-tax	\$1.70

Net Tangible Asset Breakdown Since Inception



Founders' Commentary

\$138m Cash Realised, Ongoing Fully Franked Dividend Policy of 4% pa of NTA ushers in new era for BTI

Since we wrote to you last we have:

- Completed and received \$118m in cash for the sale of our share of InstaClustr to US-listed data and storage giant NetApp
- Completed and received \$20m in cash for the sale of our share of Standard Media Index (SMI) to US private equity investor GTCR
- Announced a comprehensive capital management policy which will deliver to shareholders an ongoing fully franked dividend of 4% of NTA per share per annum and a one-off special fully franked dividend of a further 2% of NTA per share

The inflow of \$138 million in cash and the subsequent announcement of an ongoing dividend of 4% of NTA per share per annum are important steps in the journey we have been on since listing on the ASX. Our aim is to create a large, listed information technology investment company that offers a wide range of investors the opportunity to partner with us as we seek out and invest in some of the best growth stage information technology companies in this part of the world.

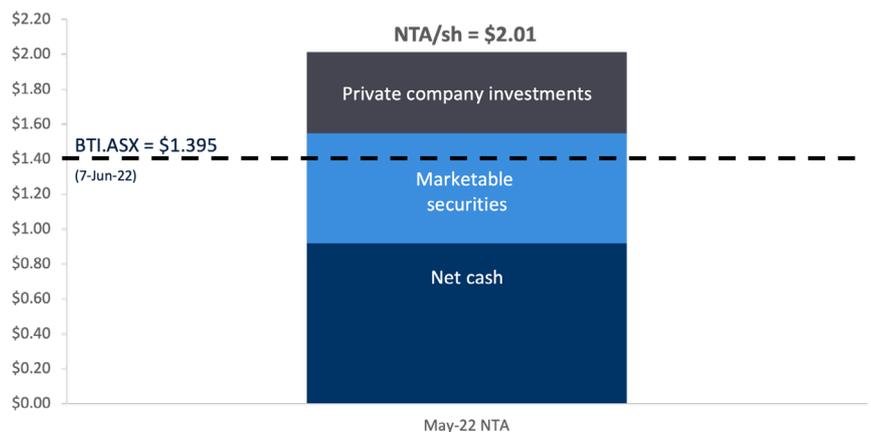
Growing to the size we have and selling the two positions we have during a period of high valuations allows us to structure our returns to shareholders in a way that optimises shareholder returns for the long term. Our investment proposition has evolved in a way we think will be very positive for shareholders. We now offer a consistent fully franked dividend of 4% of NTA per share per annum. Should the share price trade at a discount to the NTA per share of the fund – as it has for much

of our listed life – the annual yield on share price to shareholders from the dividend payment will be even higher than 4% pa.

However, we want to make it very clear, an attractive dividend yield is not the primary way in which we expect to deliver investment returns to shareholders. Our number one aim as investors on your behalf is to invest in growth stage information technology companies, partner with founders and management to grow the value of the companies we invest in and realise significant capital gains when the time is right. This is what we have been doing for the nearly eight years we have been listed and this is what we will continue doing. Investors should think of the regular fully franked dividend at an attractive yield as simply de-risking and bringing forward their total return.

We remain confident of delivering high blended growth in capital returns to shareholders for the following reasons:

1. Valuations in technology stocks have declined sharply all over the world and new investments will be at prices that give us a good chance of repeating the returns we have delivered so far
2. We hold two excellent public company positions – SiteMinder and Straker Translations – that we believe have significant value upside from current trading prices
3. We hold just 23% of the portfolio in private company positions currently. We are very happy with the operating and financial performance of those companies
4. We continue to see a steady stream of exciting new private company investment opportunities and regularly expect to make new investments



Attached to this month’s statement are Case Studies of the two investments we have just exited – Instaclustr and SMI. We hope the Case Studies help shareholders understand more fully what we do. In the Case Studies we talk about the original investment thesis – why we thought our investment would grow in value – what we learned along the way and what delivered the returns for us all in the end. As you will see from the Case Studies, the drivers of valuation growth and our returns are always the same. They are growth in revenue, improved quality of revenue, margin expansion, profitable unit economics, valuation multiple expansion, and efficient use of capital.

What you don’t see from the Case Studies is how growth and improvement in these six drivers of value are achieved. For that we are incredibly grateful to our founders and management teams. We work hard to be supportive, insightful and problem solvers for the founders and managers we invest with, and we are all of those things, but in the end it is the founders and managers of the businesses who create the value for us and for you and we will never forget that.

David Kirk & Paul Wilson
Bailador Co-Founders

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 May 2022 was \$2.01 (April 2022 \$1.99). Key movements in NTA per share during May were:

Portfolio valuations	
Uplift on Instaclustr on realisation	3.8c per share
Uplift on SMI on realisation	0.4c per share
Decrease in SiteMinder (ASX:SDR) share price to \$4.67 (April 2022 \$4.69)	-0.2c per share
Decrease in Straker Translations (ASX:STG) share price to \$1.18 (April 2022 \$1.25)	-0.5c per share
Other operating expenses	-1.5c 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.

Throughout May 2022, Bailador completed the realisations of Instaclustr 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 March 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.

Instaclustr

As announced in our [ASX release on Wednesday 25th May](#), Bailador has received A\$118m of net cash proceeds through the sale of 100% of its investment in Instaclustr. Instaclustr has been [acquired by NetApp](#), a global, cloud-led, data-centric software company based in the US.

SiteMinder

SiteMinder [partnered with HOMA](#), a pioneering co-living brand based in Thailand, to make it easier for guests to book directly online. The partnership will begin with HOMA Phuket Town, before being extended to three additional Thai locations opening in the next 18 months, and Indonesia and Vietnam in 2024.

Sankar Narayan, SiteMinder CEO, and Dai Williams, Chief Growth Officer, [spoke to David Yuan from Tidemark](#) about SiteMinder's origins and platform evolution.

The latest edition of [SiteMinder's expert content series features Markus Seemann, founder of 9seemeilen Hospitality](#), giving his insights on revenue management and how hoteliers can control the fate of their business in real time.



Standard Media Index

As announced in our [ASX release on Tuesday 31st May](#), Bailador has received A\$20m of net cash proceeds from the sale of 100% of its investment Standard Media Index. SMI has been [acquired by GTCR](#), a leading private equity firm based in Chicago.



Straker Translations

Straker Translations released its FY22 results (March year-end) to the ASX. Revenue was up an impressive 78.5% on the prior year

surpassing revenue guidance, driven by of strong organic growth and successful acquisitions. Other highlights included gross margin expansion to 54.3%, adjusted EBITDA profit of \$1.2m for the second half of the financial year, and a strong balance sheet with \$15.1m of cash and no debt. [Click here](#) to read the media release, [click here](#) to view the FY22 Presentation to shareholders, and [click here](#) to view the Annual Report 2022.

Nosto

Nosto was up for valuation review as at 31 May 2022 given it has been 12 months since the last valuation was undertaken. Nosto has traded strongly over the past 12 months, but despite this strong trading, we have decided not to change our valuation.

Bailador

Stockhead [reported on Bailador's new dividend policy](#) announced in our [ASX release on Wednesday 1st June](#). The new policy commits to ongoing fully franked semi-annual dividend payments totalling 4% per annum of BTI's NTA pre-tax (i.e. 2% of NTA pre-tax paid each half-year), plus a fully franked special dividend of 2% of NTA pre-tax, paid with the first ongoing dividend payment following release of BTI's FY22 results. [Click here](#) to read the full policy.

Bailador was [discussed on the Baby Giants Investing podcast](#), which focuses on Australian small cap investing.

Bailador [featured in Letter of Intent](#), a daily newsletter for Australian dealmakers. The piece focused on what Instacluster's acquisition by NetApp means for Bailador.

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 of future performance.

BTI Portfolio Net Tangible Asset Summary

	Valuation (\$'m)	Gain (%)		NTA per share (\$)	Third Party Event Valuation	Next Valuation Review ¹
SiteMinder	78.0	474%	▲	0.55	✓	Mark to market each month end
InstantScripts	16.6	10%	▲	0.12	✓	March 2023
Rezdy	12.8	69%	▲	0.09	✓	October 2022
Access Telehealth	12.5	0%	▶	0.09	✓	December 2022
Nosto	11.5	3%	▲	0.08	✓	May 2023
Straker Translations	10.8	10%	▲	0.08	✓	Mark to market each month end
Mosh	7.5	0%	▶	0.05	✓	December 2022
Brosa	4.5	49%	▲	0.03		October 2022
Cash	143.8			1.02		
Other ²	-14.2			-0.10		
Net Asset Value / Net Asset Value Per Share (Pre Tax)	283.8			2.01		

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	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	50-100



Name:	Nosto	Straker Translations	Mosh	Brosa
Type:	SaaS/B2B	Marketplace/Machine Learning	Digital Healthcare/B2C	Online Retail/B2C
About:	Leading AI-powered e-commerce personalisation platform	Digital language translation services provider and one of the world's fastest growing translation companies	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:	Helsinki	Auckland	Sydney	Melbourne
Staff:	100-250	250-500	1-50	50-100

Instaclustr Overview

Instaclustr helps companies unlock the true power of open source technologies through its managed platform for deploying, managing, and monitoring all components of their data infrastructure. Instaclustr combines a complete data infrastructure environment with hands-on technology expertise to ensure ongoing performance and optimisation. By removing the infrastructure complexity, Instaclustr enables companies to focus internal development and operational resources on building cutting edge customer-facing applications at lower cost. Instaclustr’s customers include some of the largest and most innovative Fortune 500 companies.

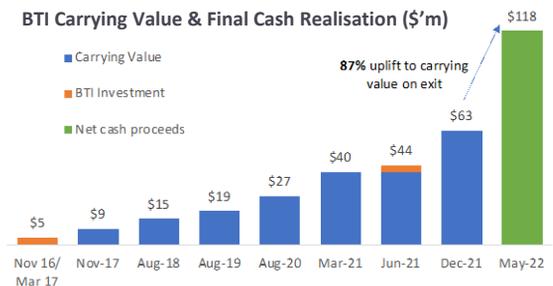
Investment Thesis

Bailador led Instaclustr’s Series B round in November 2016, investing \$4m. In March 2017 Bailador bought an additional \$500K of shares at the same valuation. Bailador’s initial investment in Instaclustr was built on the following investment thesis:

- The company was addressing a large and growing market (database) with multiple tailwinds: big data, cloud migration, open source
- They had a market leading position in a key database technology (Apache Cassandra) with the ability to expand into adjacent tech
- The management team were exceptional operators who had a track record of successfully building and exiting tech businesses
- The majority of Instaclustr’s revenue was recurring subscriptions with high gross margins. They also had high customer retention numbers and strong customer account expansions, and they were also able to acquire customers efficiently
- They were based in Canberra, but they were a truly global company with the majority of revenue coming from outside of Australia
- Customer acquisition was largely inbound and many large global enterprises came to Instaclustr looking for a solution, demonstrating market demand for the product. Our diligence calls confirmed that customers loved the Instaclustr offering

Investment Outcome

- Following on from our initial investment in 2016, we invested an additional \$3.8m in June 2021 as part of an internal round
- In April 2022, Instaclustr announced they had signed an agreement to be acquired by NetApp (NASDAQ:NTAP)
- The deal delivered \$118.4m in net cash proceeds to Bailador, and generated returns of 14.2x MOIC and an 80% IRR
- The returns were driven by a combination of strong revenue growth, improved quality of revenue and valuation multiple expansion since our original investment



\$8.4m
cash invested

\$118.4m
cash realised

14.2x
multiple of investment

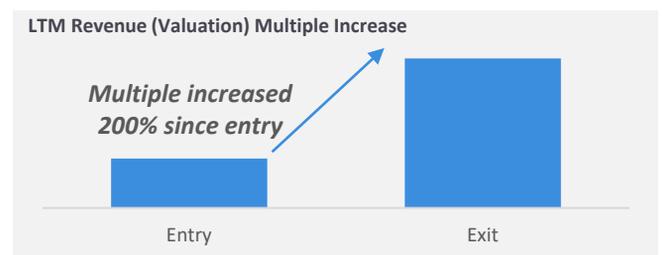
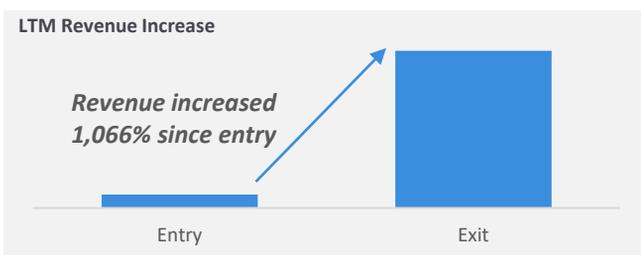
80%
internal rate of return

Bailador & Instaclustr Partnership

The Bailador team partnered closely with the Instaclustr management team to accelerate growth, raise additional capital and position the business for potential sale opportunities. Over the five and a half year partnership Bailador was instrumental in:

- Acting as a close advisor to management as they navigated a number of strategic evolutions: single tech offering => multi tech platform, inbound sales => outbound sales and building out a senior management team to support the founders
- Assisting management with a Series C funding round in 2018. The A\$21m of capital raised enabled them to accelerate growth
- Identifying, measuring and aligning management around the key SaaS performance metrics that drove business performance
- Helping prepare the company for exit and creating materials that highlighted the underlying strengths of the business

Drivers of Investment return: Revenue growth and Multiple expansion (Initial Investment)



Standard Media Index Overview

SMI is a leading provider of advertising data and insights to media marketplace participants. SMI's innovative platform makes it possible for the marketing industry to have a real-world view into advertising spend, ad revenue, media pricing and future-booked commitments. The Company's data-driven intelligence approach creates clear, granular and easy-to-use data sets for clients and agency partners to leverage in determining media mix models, competitive share of spend and pricing benchmarks. SMI has office locations in New York, London, Madrid, Sydney and Toronto, providing global data services and insights to markets in 34 countries around the world. SMI captures spend and pricing data that represents more than 95% of all US national brand expenditure.

Investment Thesis

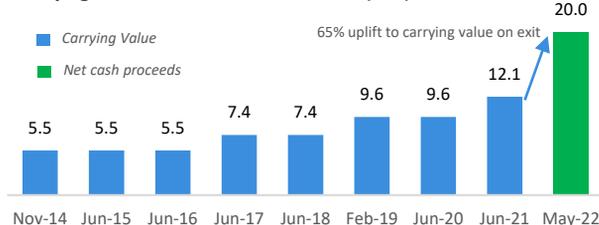
Bailador invested a total \$7.4m in SMI over an 11-year investment period. Bailador's investment in SMI was built on the following investment thesis:

- A unique 'must have' product for customers that solved the problem of a lack reliable, transparent data on ad-spend performance
- Business model proven in Australia and likely to be highly scalable across offshore markets
- High gross margins and expected strong economies of scale
- Strong competitive moat generated through exclusive access to media buyer agency data

Investment Outcome

- Solid 15% IRR and 2.7x MoM returns
- Strong valuation multiples achieved in uncertain market
- Investment thesis largely validated; hold period longer than expected
- Follow-on investment achieved very high return
- Net cash proceeds 65% higher than carrying value prior to sale

BTI Carrying Value & Final Cash Realisation (\$'m)



7.4m
cash invested

\$20m
cash realised

2.7x
multiple of investment

15%
internal rate of return

Bailador & Standard Media Index Partnership

Bailador's partnership with SMI spanned over a decade during which time there was considerable change in the media industry. Already established in Australasia, the early challenge was to access global media bookings data from US-based ad agencies and to convince the major media companies in the US – Disney, News Corp, CBC, NBC-Universal and many more – to buy the unique data set only SMI could provide. The rapidly accelerating shift to digital media had to be navigated, as did the contraction, budget cuts and mergers in traditional media throughout the decade. Aside from sales to media companies in the US, sales to the financial services sector proved particularly successful. SMI launched over seven new products in the period of Bailador's investment and after building a growing and profitable US business, SMI went on to build customer bases in Canada, the UK and parts of Europe. Access to ad spend data was secured in over 30 countries including China, all of Europe and South America. Bailador worked closely with the company from the beginning, chairing the board and assisting with reporting, strategy, fundraising, staff transitions and the realisation process.

Select Standard Media Index Performance Indicators

