

# Investing in Technology the Smart Way



Bailador Technology Investments Limited (ASX:BTI)

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# Disclaimer

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Any forward-looking statements contained or implied, either within this document or verbally, involve known and unknown risks, uncertainties and other factors (including economic and market conditions, changes in operating conditions, currency fluctuations, political events, labour relations, availability and cost of labour, material and equipment) that may cause Bailador's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by any forward-looking statements.

# Technology is changing our lives

How we...

15 Years Ago

Today

Make a phone call



Bank



Search for business information



Purchase a book










Book a hotel or flight









# We are all familiar with just how large some technology companies can become...

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	Description	Market Cap US\$	Year Founded
 <b>Apple</b>	Technology company, consumer electronics, personal computers.	<b>\$647BN</b>	<b>1976</b>
	Search engine, advertising technologies, software.	<b>\$463BN</b>	<b>1998</b>
 <b>Microsoft</b>	Manufactures, licenses and sells computer & mobile software.	<b>\$371BN</b>	<b>1975</b>
 <b>facebook</b>	Social networking service.	<b>\$263BN</b>	<b>2004</b>
	E-commerce, e-book readers (Kindle).	<b>\$246BN</b>	<b>1994</b>
	Web portal, search engine, email, mapping, social media.	<b>\$ 34BN</b>	<b>1994</b>
	Professional social networking site.	<b>\$ 25BN</b>	<b>2002</b>

...and there are tech giants you may not be as familiar with that are worth at least US\$10 Billion.

	Description	Market Cap US\$	Year Founded
	Cloud-computing CRM software.	\$47BN	1999
	Mobile app for on-demand taxi services (using drivers own cars).	\$40BN*	2009
	Website to rent out personal property (alternative to hotels).	\$24BN*	2008
	Social networking service. The user posts a 140-character "tweet".	\$20BN	2006
	Cloud-based HR management and financial management software.	\$16BN	2005
	Web-hosted filing and storage service for personal/business use.	\$10BN*	2007

Technology companies can scale quite quickly, and valuations reflect that rapid growth and overall size potential

# Overall technology sector returns have been strong

Return (% p.a.) for the period ended 30 June 2015	1 Year	2 Years	4 Years
iShares Global Technology Index	8.8%	18.4%	13.1%
NASDAQ Internet Index	8.4%	23.5%	17.9%
NASDAQ 100 Technology Index	9.0%	23.8%	14.6%

## NASDAQ Internet Index (4 years)

NASDAQ Internet Index is designed to track the largest US-listed internet-related companies, including Amazon.com, HomeAway, eBay, Expedia, Facebook, Google, TripAdvisor and Twitter.



# The technology sector is well established as a credible portfolio allocation

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## Schwab Sector Views:

<u>Sector</u>	<u>Schwab Sector View</u>	<u>Share of the S&amp;P 500 Index</u>
<b>Information technology</b>	<b>Outperform</b>	<b>20%</b>
Financials	Outperform	17%
Health care	Marketperform	15%
Consumer discretionary	Marketperform	13%
Consumer staples	Marketperform	10%
Industrials	Marketperform	10%
Energy	Marketperform	7%
Materials	Marketperform	3%
Utilities	Underperform	3%
Telecom	Underperform	2%
S&P 500® Index (Large Cap)		

Source: Schwab Center for Financial Research and Standard and Poor's as of 7/31/2015.

Is some of your portfolio allocation to technology investments appropriate?

# The foundations for technology sector development are solid macro drivers

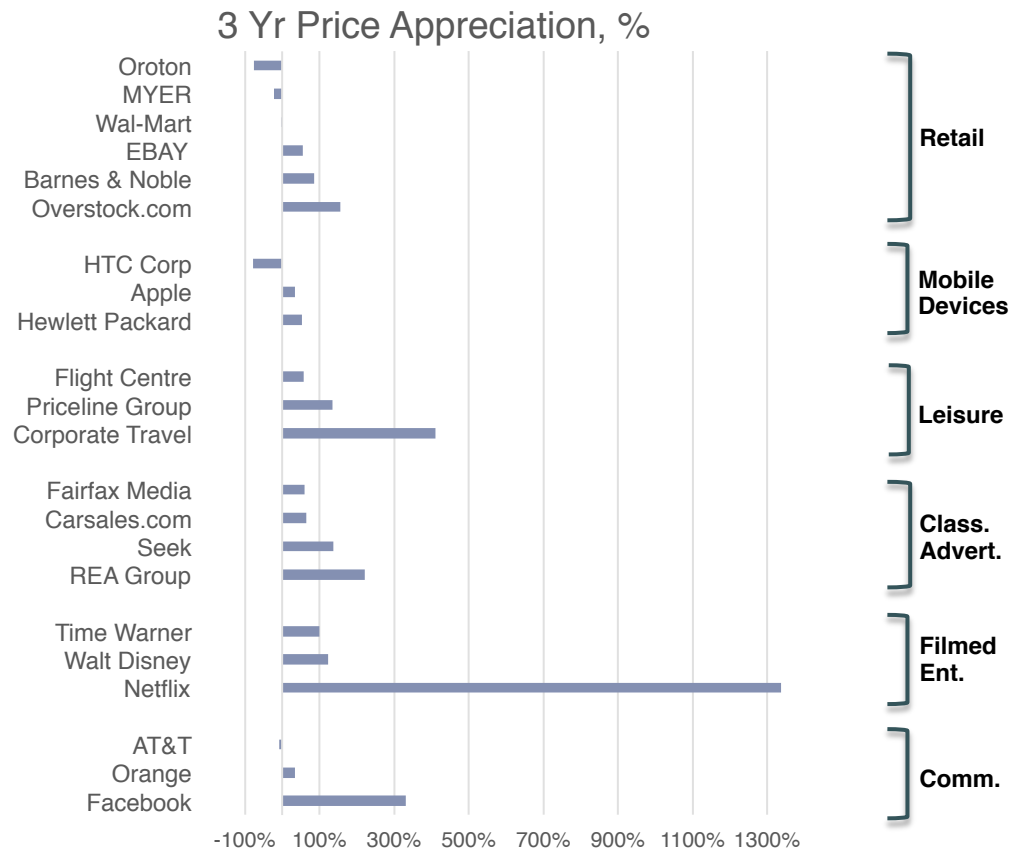
## Sustained Technology Industry Growth – not a dot.com bubble

	Drivers	Impact
General	<ul style="list-style-type: none"><li>✓ digitisation of information</li><li>✓ increased computing power</li><li>✓ broadband proliferation</li><li>✓ widespread use of smart devices</li><li>✓ the development of cloud computing services</li></ul>	<div>Changing industry dynamics</div> <div>New markets, services and business opportunities enabled by technology</div>
National Broadband Network (NBN) Development	Development of NBN and Ultrafast Broadband is expected to accelerate the local development of applications and services utilising high speed broadband.	<div>New companies thriving on innovation and disruption of traditional industry structure</div>

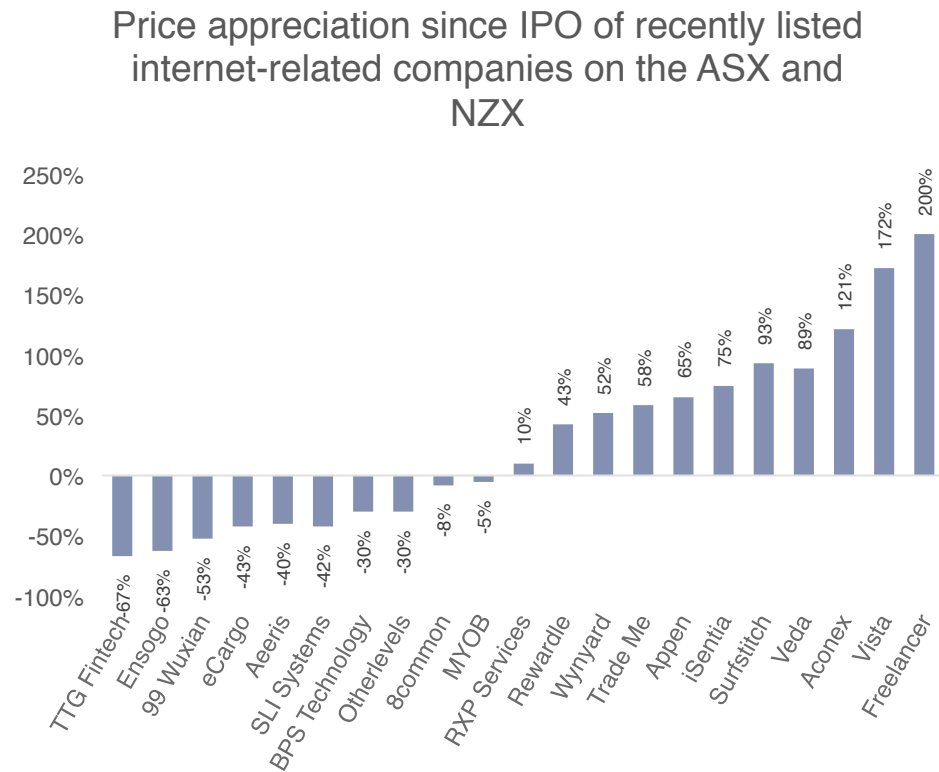
Successful technology companies have huge global growth opportunities



# Internet-related companies in all sectors are delivering far higher returns than traditional rivals...



# ... but investment in internet-related companies requires specialist knowledge and expertise

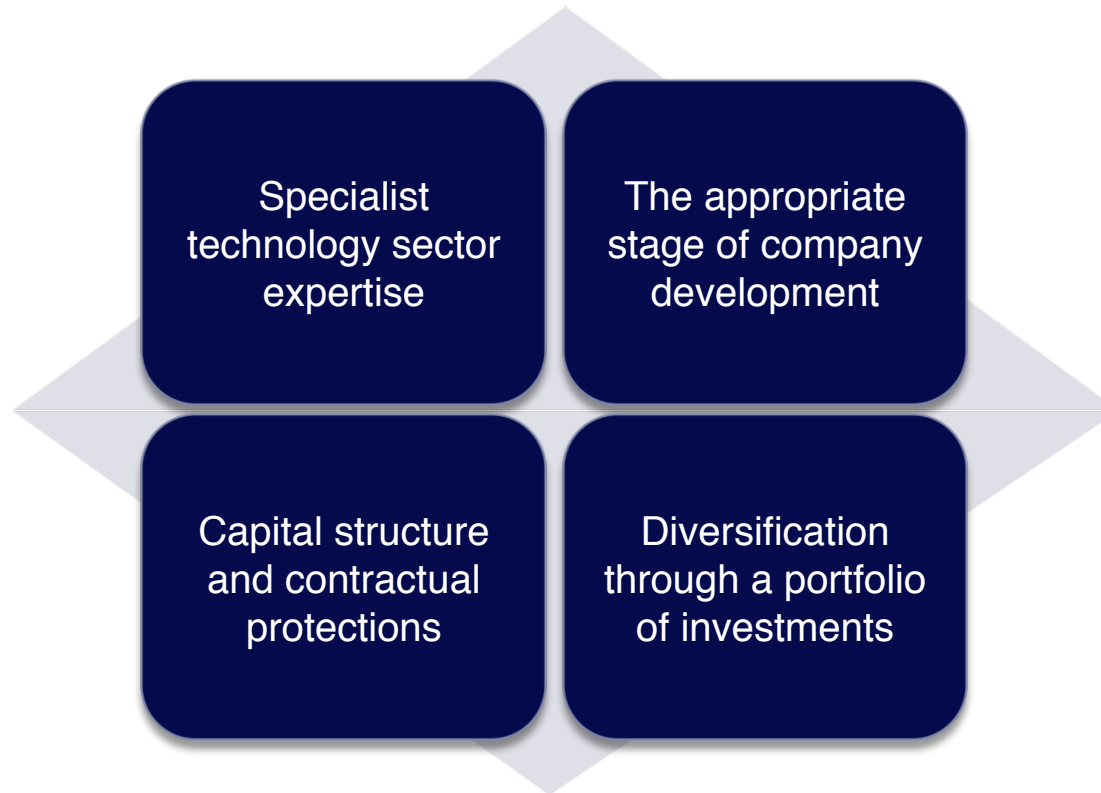


The technology sector can deliver exceptional returns, but there is also increased risk in individual investments

# How to reduce risk when investing in the technology sector?

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The probability of achieving consistent investment returns in the technology sectors is improved by the presence of the following factors:



The Bailador approach to technology investing

# Bailador is a specialist expansion capital investor in the technology sector

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<b>Information Technology Sector</b>	<ul style="list-style-type: none"><li>• Technology related businesses focusing on software, internet, mobile, data, online marketplaces and telecommunications related businesses</li><li>• Changing industry landscape creating new disruptive business models</li></ul>
<b>Expansion Stage Investing</b>	<ul style="list-style-type: none"><li>• Proven revenue generation, business model and management capabilities</li><li>• Difficult stage for investors to access</li><li>• \$2million - \$20million per investment</li><li>• Relative lack of expansion capital availability creates favourable supply-demand balance</li></ul>
<b>Risk Management</b>	<ul style="list-style-type: none"><li>• Capital structure liquidity preference</li><li>• Strong contractual rights</li><li>• Favourable risk return profile</li></ul>
<b>Established Portfolio</b>	<ul style="list-style-type: none"><li>• Five established investments form &gt;80% of the portfolio NAV</li><li>• Already benefitting from Bailador capital and involvement</li><li>• Strong growth being achieved with clear continued growth prospects</li></ul>
<b>Proven Manager</b>	<ul style="list-style-type: none"><li>• Strong track record</li><li>• Active involvement and board positions</li><li>• Existing pipeline of investment opportunities (nearly 400 opportunities reviewed)</li><li>• Leverage David Kirk and Paul Wilson's expertise, track record and relationships in technology investing and deal sourcing</li></ul>

# Bailador has a proven track record investing expansion capital in the technology sector

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Time Period	1 Year Annual Return	2 Years Annual Return	Returns Since Inception Annual Return
Bailador portfolio annual investment returns	18.8% p.a.	30.3% p.a.	22.7% p.a.

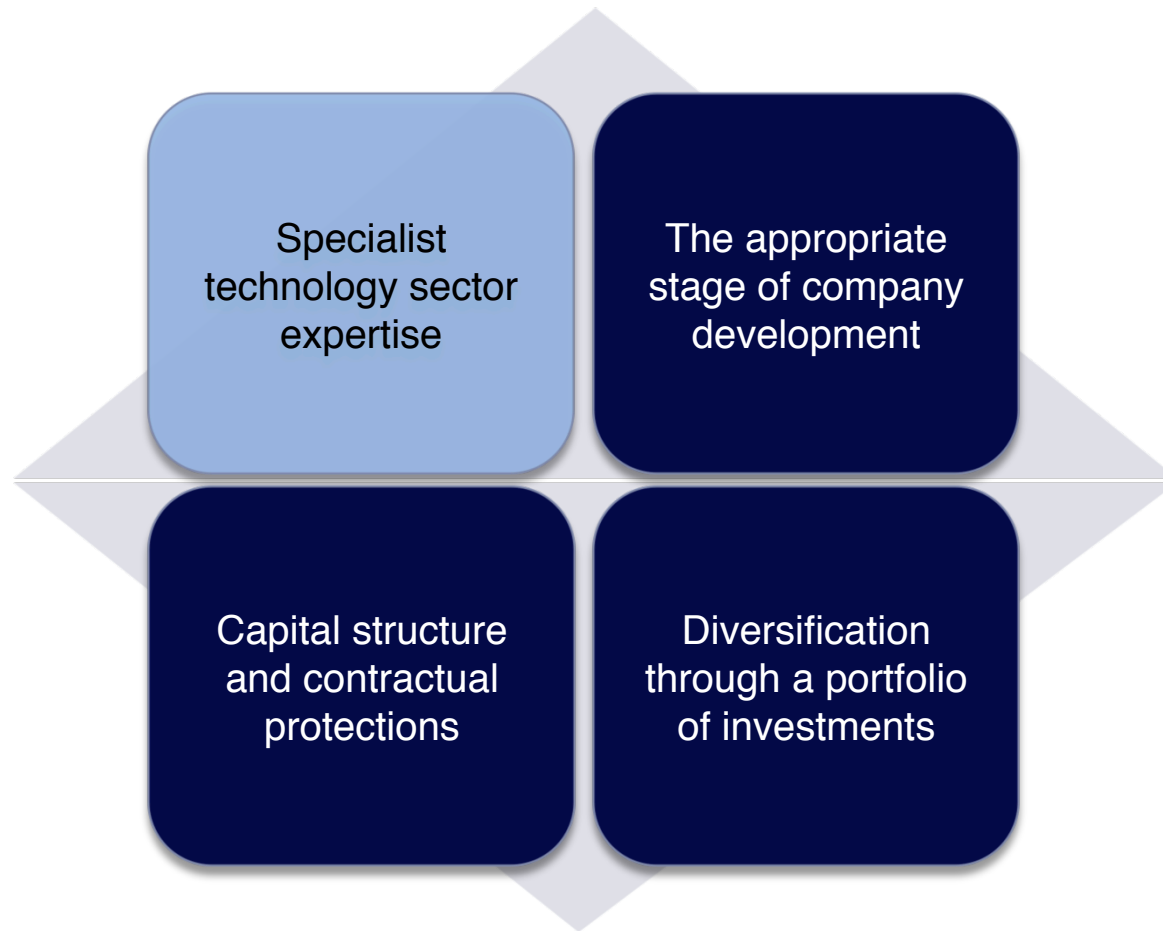
*Returns:* Gross portfolio investment returns pre tax and fees as at 30 June 2015

*Valuation:* Valuations have been independently reviewed by BDO

Bailador is well positioned to deliver strong returns by continuing to execute on its existing investment approach  
– using established risk management techniques

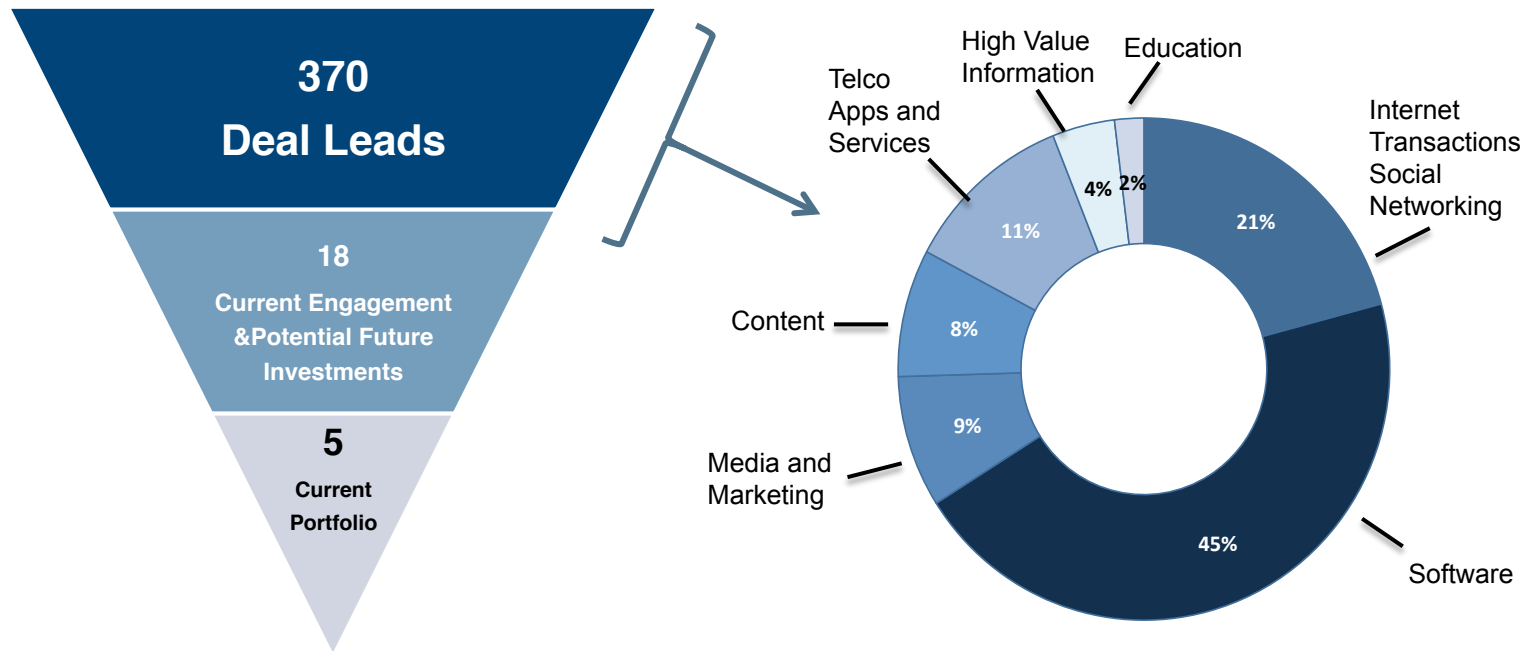
# How to reduce risk when investing in the technology sector?

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# Bailador is a specialist in the information technology sector

Bailador has access to extensive deal flow by leveraging its reputation, relationships and track record



Bailador has the sector expertise and breadth of exposure to make informed investment decisions

# Bailador employs proven investment criteria

Bailador's strong position in accessing high quality deal flow enables it to focus on investments which meet its key investment criteria:

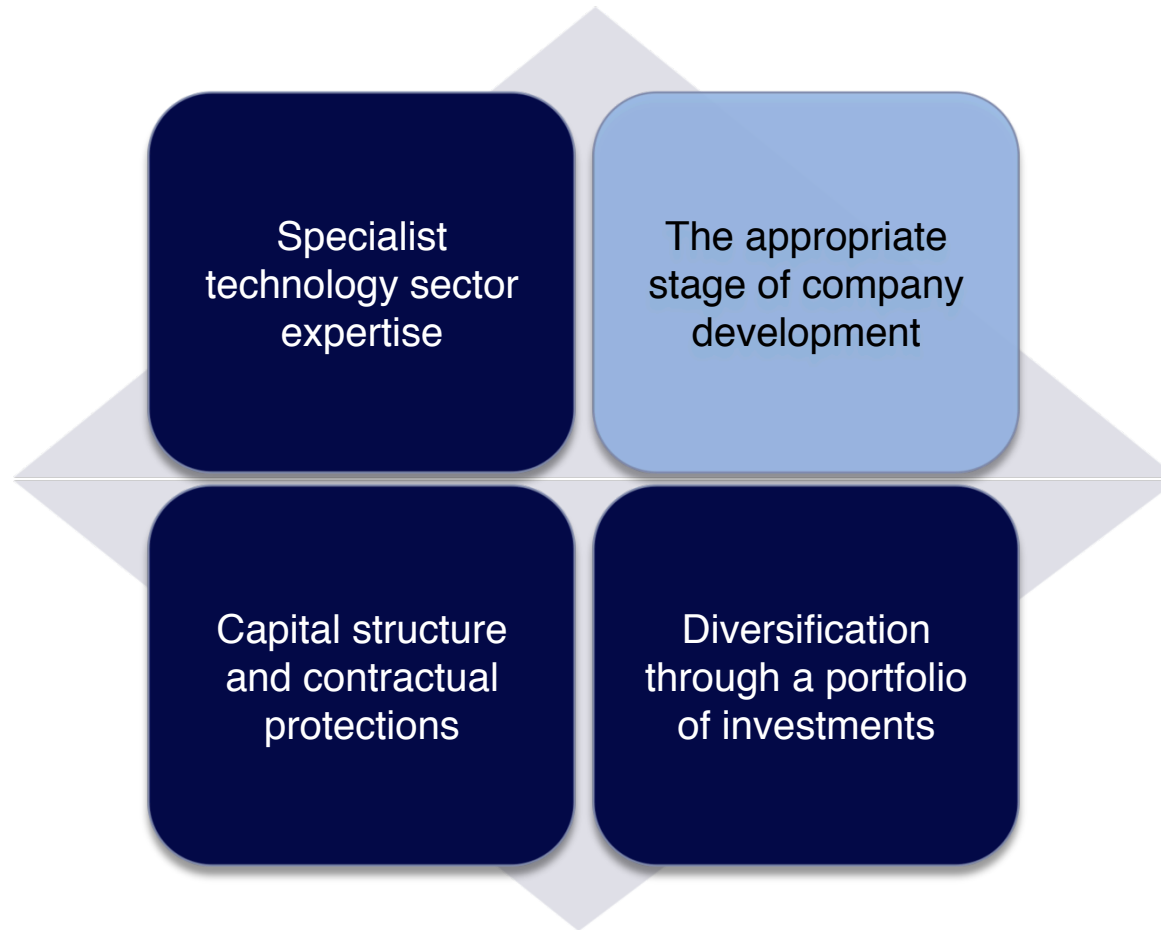


Bailador is particularly attracted to subscription & marketplace revenue models



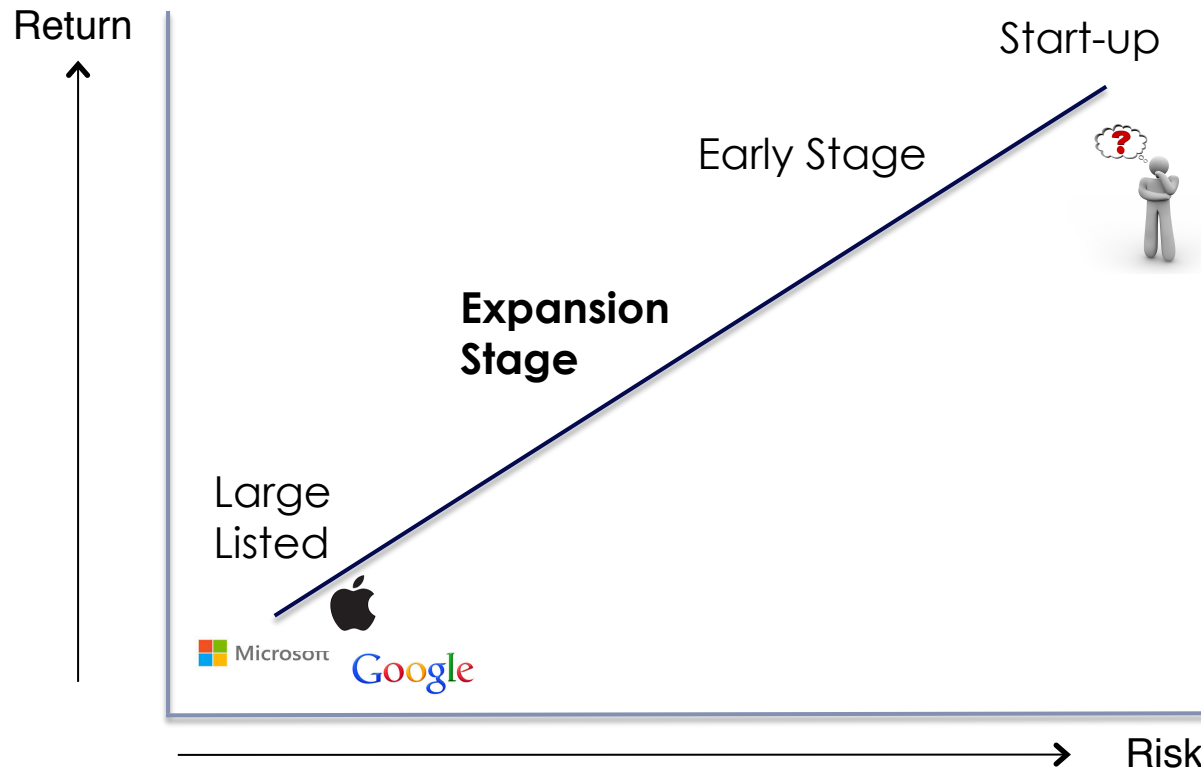
# How to reduce risk when investing in the technology sector?

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# Expansion stage companies provide an attractive balance

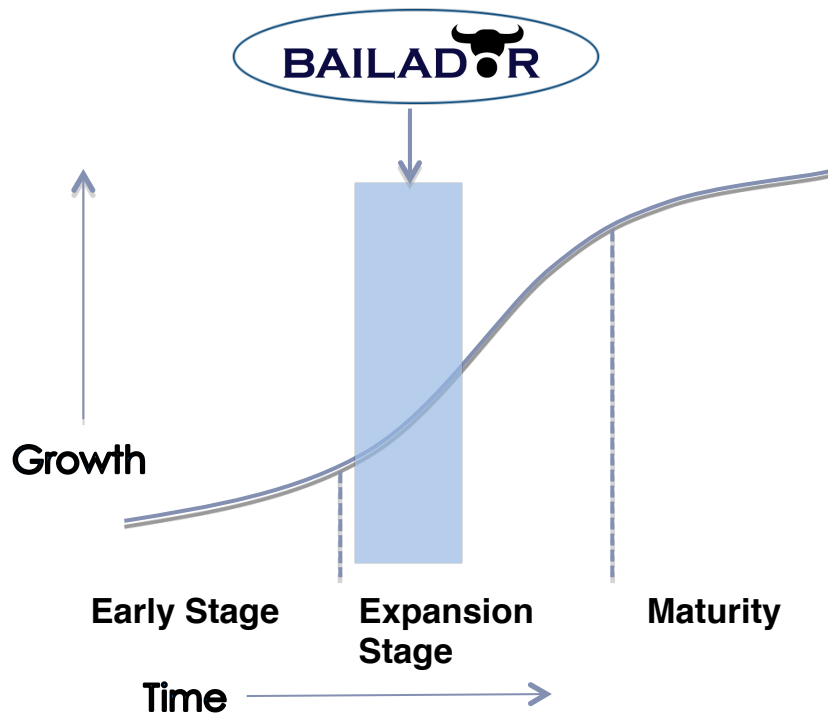
Lower risk than start-ups while retaining the prospect of exceptional returns



Size and stage of development determines the risk-return profile for internet related companies as for all companies

# What does 'Expansion Stage' mean?

Companies in the expansion stage have proven that they are a genuine viable business usually with several million dollars in annual revenue



## Why Expansion Stage investing?

- Technology is de-risked compared to early stage companies
- Proven revenue generation capability
- Proven management capability
- Demonstrated business model
- Clearly identified growth opportunity, often involving global opportunities
- Closer to exit via IPO or trade sale

Technology businesses have a natural need for funding at expansion stage, and are looking for partners who can assist with their development

# What does a typical expansion stage investment opportunity look like?

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2-6 years of  
operation

Run by Founders

Proven business  
model

Ability to  
generate repeat  
revenue

Significant  
portion of  
revenue  
=  
international

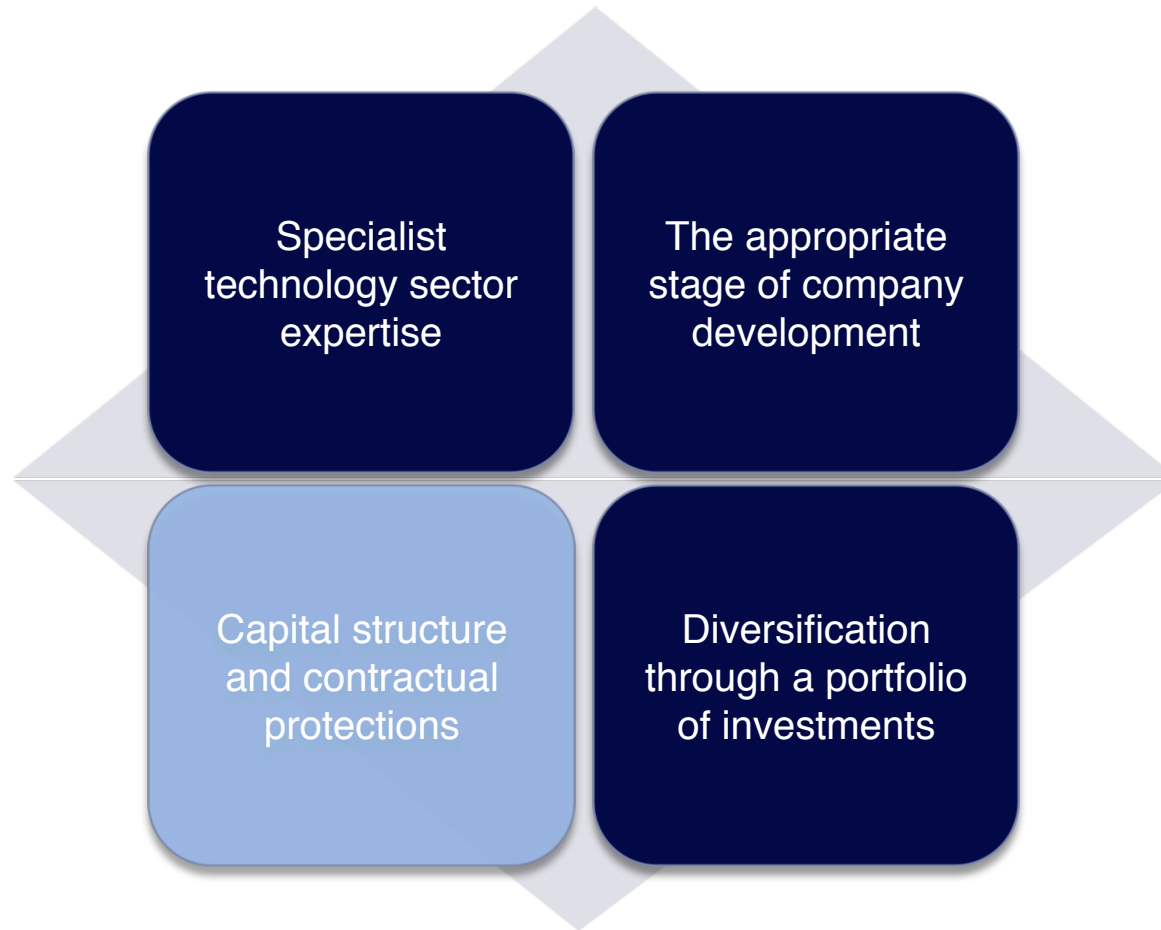
Huge growth  
opportunity in  
market

Key 2<sup>nd</sup> level  
management  
hires needed

Needs capital to  
grasp opportunity

# How to reduce risk when investing in the technology sector?

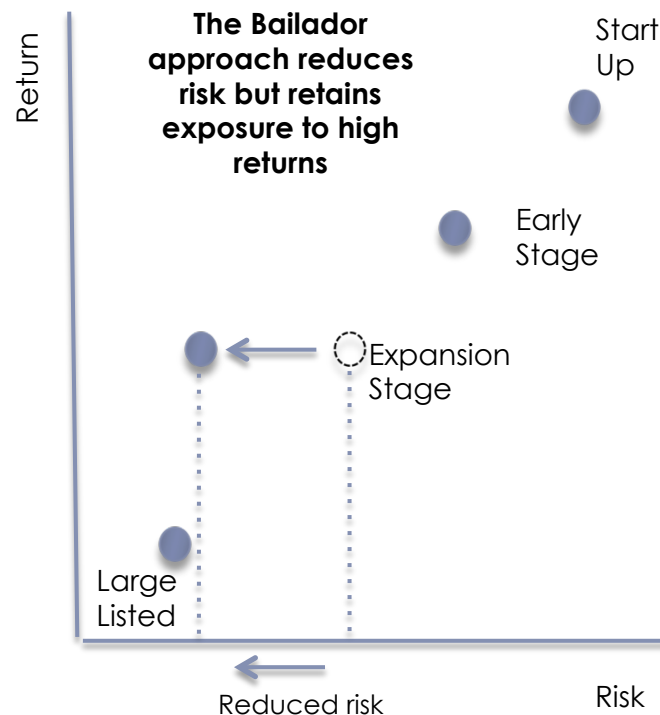
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# Bailador manages risk through capital structure seniority, contractual rights and deep involvement with management

These protections are unavailable to retail investors in public companies

Risk Management Feature	Implication
Seniority in capital structure	Bailador gets its money out first on sale of the company
Ability to sell 100% of the company	Bailador can't get "stuck" in an investment
Control of capital structure and pre-emptive rights	Bailador must approve all new debt or equity can be issuance; cannot be diluted without agreement
Mandatory board representation	All portfolio investments have a Bailador representative on the board of directors
Access to all information and veto rights on important decisions	Bailador understands exactly what is going on in portfolio companies and must agree before important decisions are taken
Management change rights if underperformance	Bailador can appoint new managers if necessary



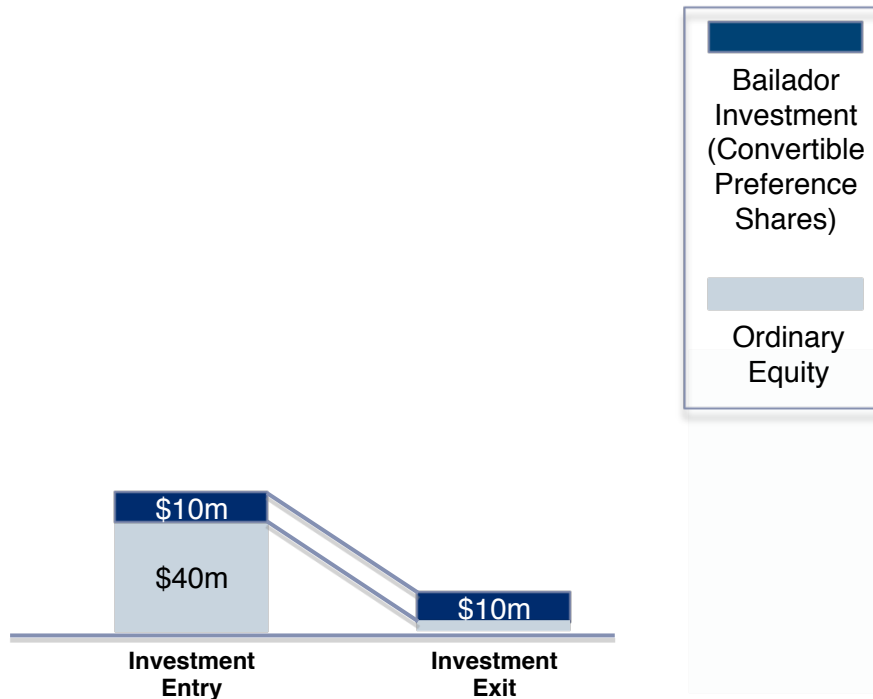
BTI retains exposure to the full equity upside

# Convertible Preference Shares allow exposure to the full equity upside...

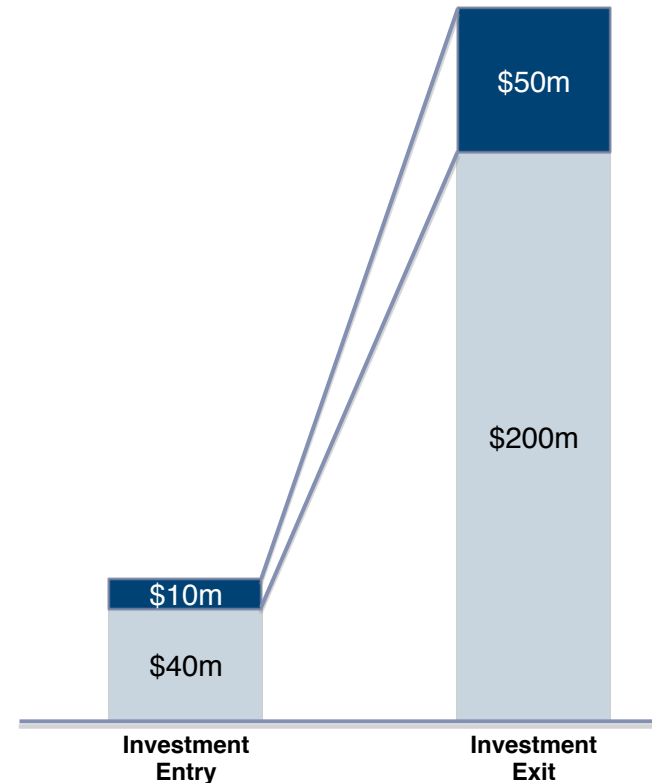
As long as the business is sold for > Bailador's entry cost, Bailador will receive all principal invested

Through its conversion rights, Bailador receives full participation in equity upside achieved

## "Downside" Example



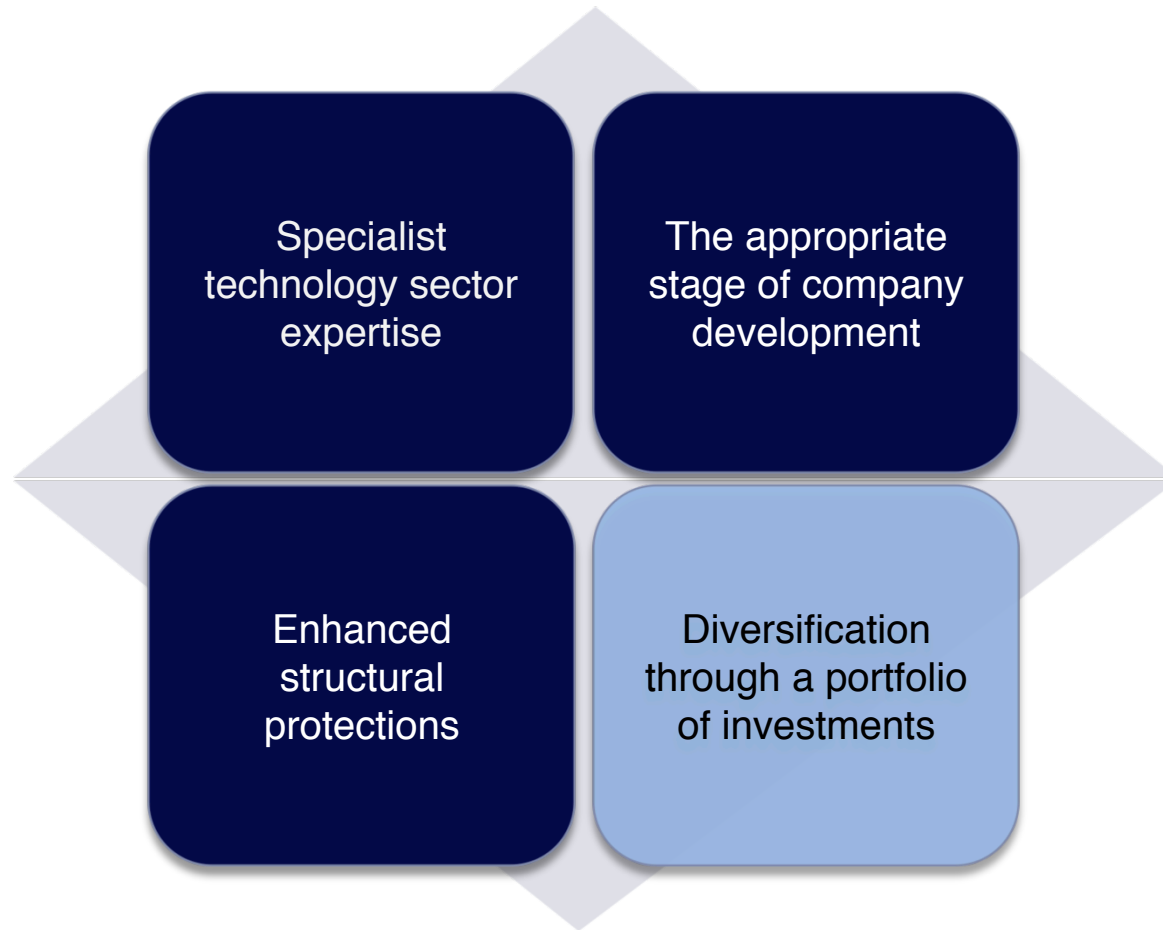
## "Upside" Example



...while providing substantial downside protection

# How to reduce risk when investing in the technology sector?

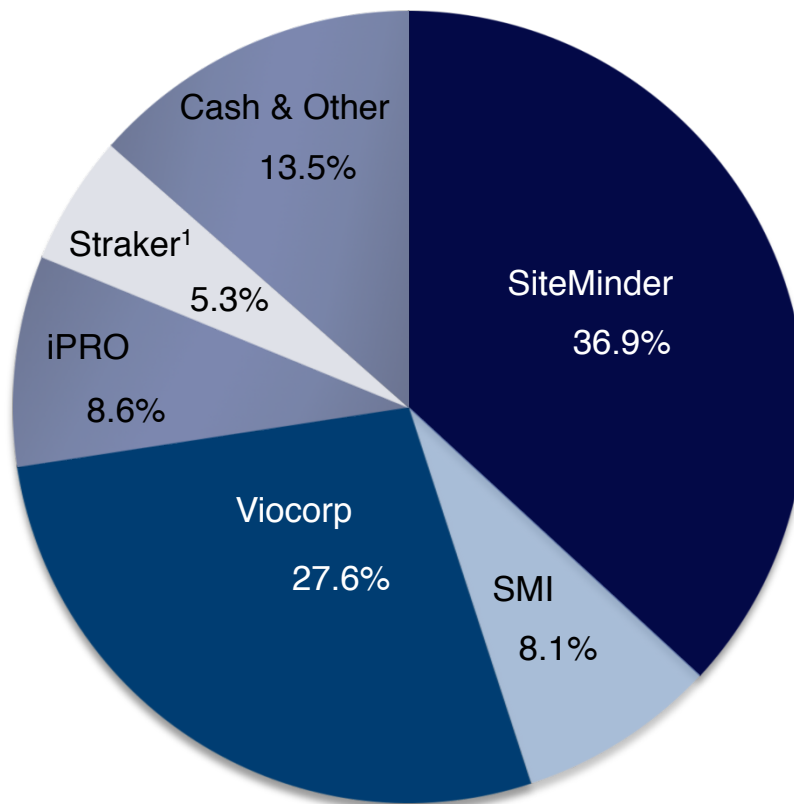
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# A portfolio of investments diversifies risk

Bailador currently has five portfolio investments which have been selected from nearly 400 investment opportunities reviewed



Bailador anticipates making 1-2 additional investments this calendar year

# BTI provides immediate exposure to an established portfolio with material upside prospects

	Value (\$M)	Position & Upside Potential	
 SiteMinder	25.0	World leader in travel distribution technology growing rapidly in a strategically valuable space	↑
 VIOCORP	18.7	Regional leader in online video with proven model able to be expanded globally; beginning to scale rapidly	↑
 SMI   STANDARD MEDIA INDEX	5.5	Established big data model with US presence and global prospects	↑
 iPRO SOLUTIONS	5.8	Leading tech platform in the rapidly growing compliance and security space with enormous potential upside	↑
 straker TRANSLATIONS	3.6	Straker Translations is a leader in the huge and growing international translation market.	↑
Cash / Other	9.2		
<b>Total NAV:</b>	<b>67.8</b>	 <b>NAV per share of \$1.09</b>	

BTI has not materially revalued any portfolio investment since December 2014, and are confident of embedded upside

# There are multiple exit options for high growth internet related businesses

	Descriptions	Examples
Trade Sale to large industry player	<ul style="list-style-type: none"> <li>Legacy incumbents buying growth and/or defensive positions</li> <li>Established internet or software companies buy bolt-ons and/or defensive positions</li> <li>Global in-market roll-ups</li> <li>Successful internet incumbents buy, up and down the 'vertical stack'</li> </ul>	<div> <div>Acquirer</div> </div> <div> <div>Target</div> </div>
Initial Public Offering (IPO)	<ul style="list-style-type: none"> <li>Public markets in Australia and New Zealand and NASDAQ are increasingly receptive to technology company listings</li> <li>By investing at expansion stage, businesses are closer to the point where they are able to IPO</li> </ul>	
Large US Expansion Capital Funds	<ul style="list-style-type: none"> <li>Targeting \$50m to \$150m cheque</li> <li>Happy to take-out early stage investors</li> <li>Often drive further geographic diversification</li> </ul>	<div> <div>Investor</div> </div> <div> <div>Investee</div> </div>

# Summary

[www.bailador.com.au](http://www.bailador.com.au)

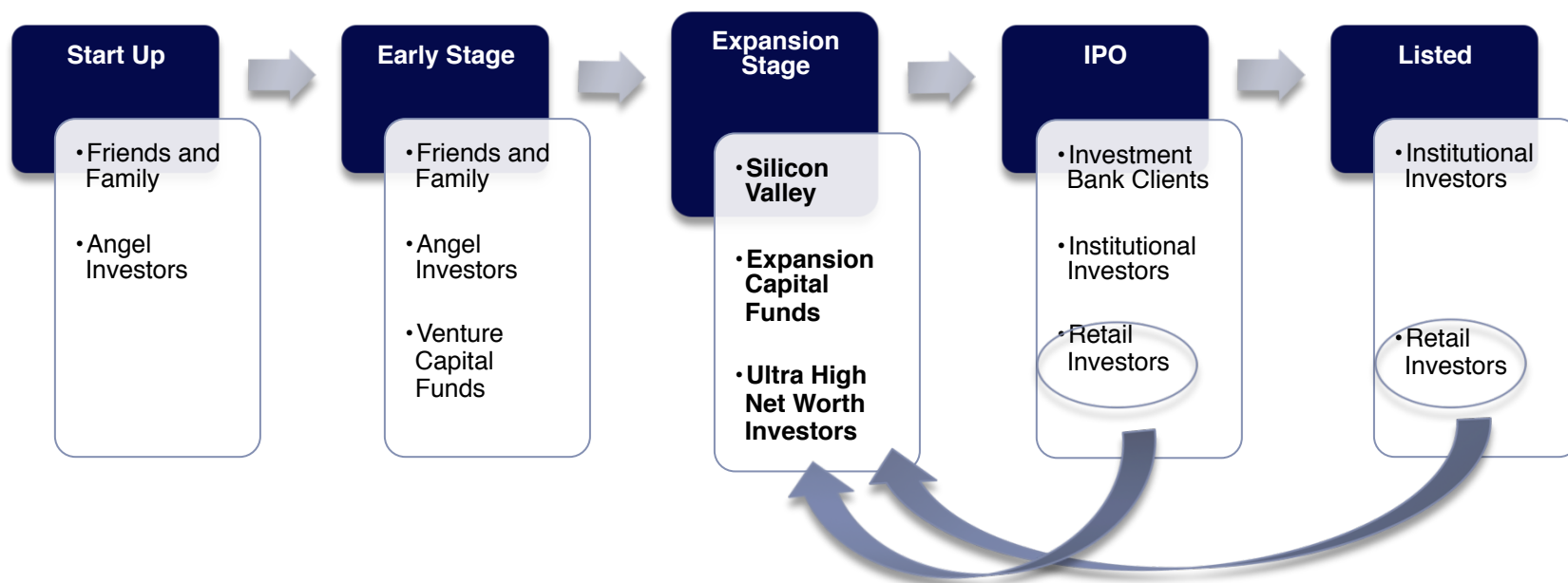


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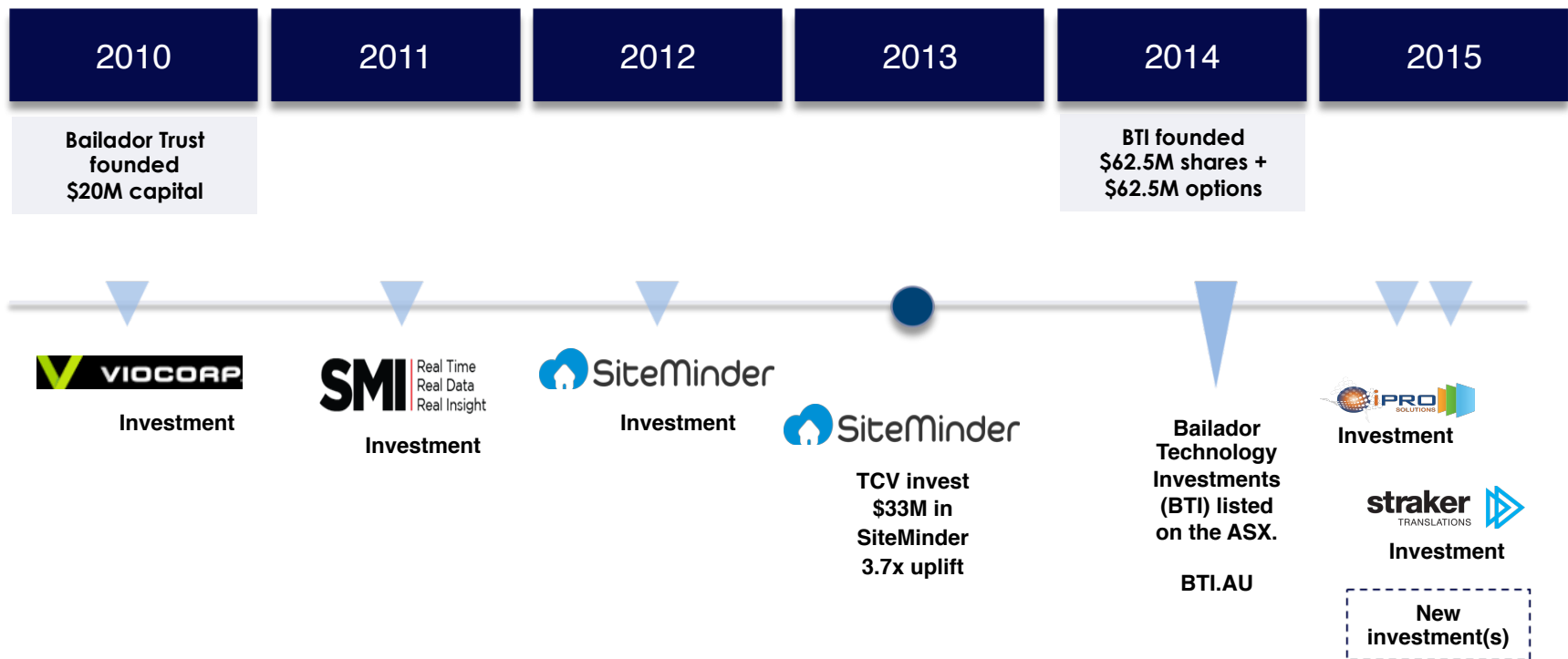
# With Bailador listing on the ASX, investors now have access to expansion stage technology investment

Unprecedented access not previously available to retail investors



Retail investors are now able to invest alongside Silicon Valley and other “Expansion Stage” investors at a high return stage of the funding chain

# History of Bailador Technology Investments Ltd



1-2 additional investments expected by 31 December 2015

# The Managers of BTI

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**David Kirk, MBE**  
**Chairman and**  
**Portfolio Manager**

- Former Chief Executive Officer of publicly listed Fairfax Media Ltd.
- Led successful acquisitions of Trade Me and Stayz.
- Chairman of ASX-listed Trade Me Group Limited and Kathmandu Holdings Limited, and a Director of Forsyth Barr Limited.
- Director of each of SiteMinder, SMI and Viocorp.
- Rhodes Scholar with degrees in Medicine from Otago University and Philosophy, Politics and Economics from Oxford University.
- Enjoyed a highly successful rugby career, captaining the All Blacks to win the World Cup in 1987. He was awarded an MBE in 1987.



**Paul Wilson**  
**Director and Portfolio**  
**Manager**

- Director of CHAMP Private Equity in Sydney and New York, and with MetLife in London.
- Previously Executive Director at media focused investment group, Illyria Pty Ltd.
- Chairman of SiteMinder and iPRO.
- Director of Viocorp International, Yellow Pages (NZ), the Rajasthan Royals IPL cricket, and ASX listed Vita Group Limited.
- B Bus, Banking and Finance from QUT.
- Fellow of the Financial Services Institute of Australia, a Member of the Institute of Chartered Accountants Australia and a Member of the Australian Institute of Company Directors.

**Combined 44 years of corporate, private equity, and expansion capital investing**

# Dividends and Manager Remuneration

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## Dividends

- Cash dividends will be paid when portfolio investments are sold.
- Dividends will be franked.
- The Manager intends to retain enough cash to fund one year of investment.

## Manager Remuneration

- The Manager receives a management fee of 1.75% of the value of the fund, from which all the costs of managing the portfolio must be paid.
- When investments are sold and cash is received in the fund, the Manager has a right to a performance fee of 17.5% of the increase in the value of the Fund, subject to a compound 8% hurdle rate of return.

Franked dividends will be paid as investments are realised.

The Manager does not get paid any Performance Fee on unrealised gains. Cash must first be received in the Fund from realisations.



# Investing in the Technology the Smart Way

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## Access to the high growth technology sector

- Technology is reshaping almost every industry
- Creating high growth companies with huge potential upside
- Access to these companies is available through Bailador

## Reduced risk compared to direct investing

- Expansion stage investing in proven business models (not start-ups), reducing risk
- Capital structure preference in each portfolio company, reducing risk
- A portfolio of investments, reducing risk

## An experienced specialist manager & established portfolio

- Specialist technology sector expertise
- Hundreds of opportunities reviewed
- Board involvement in each portfolio company selected
- Gross portfolio investment returns since inception of 22.7% p.a.

## Net Asset Value represents significant upside to the current share price

- Not a traditional Listed Investment Company
- The Bailador portfolio investments are in private companies that cannot be accessed any other way
- A larger comparable fund in the UK (Imperial Innovations) trades at 60% premium to NAV

# Thank You

[www.bailador.com.au](http://www.bailador.com.au)

To keep up-to-date with Bailador and the latest news on our portfolio, follow us on LinkedIn.



[www.siteminder.com](http://www.siteminder.com)

[www.viocorp.com](http://www.viocorp.com)

[www.standardmediaindex.com](http://www.standardmediaindex.com)

[www.iprolive.com](http://www.iprolive.com)

[www.strakertranslations.com](http://www.strakertranslations.com)



Bailador Technology Investments Limited (ASX:BTI)

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# Appendix

## Investment Portfolio Profiles

# The BTI Portfolio: SiteMinder

SiteMinder is the world leader in hotel channel management and distribution solutions for online accommodation bookings

## BTI Cost

- \$18.8m

## Current Value

- \$25.0m

## Business Features

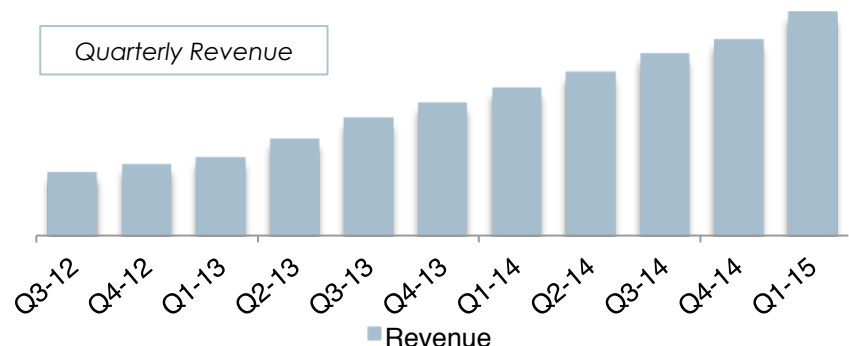
- Established customer base of over 15,000 hotels (world's largest)
- Recurring subscription revenue model
- Proven international expansion (already ~70% of revenue is international)

## Recent News

- Passed 16,000 subscribing customers
- Expanding rapidly in USA with 67 staff now in Dallas office
- Completed small acquisition in Asia
- Expanded product suite. Little Hotelier embraced by the market

## What excites us about SiteMinder

- ★ It is the world leader in its space for technology, market position, and scale.
- ★ The travel industry is a huge market being transformed by technology. SiteMinder has an enviable strategic position in this transformation.
- ★ The management team is outstanding.
- ★ SiteMinder has the capacity to become an extremely large company.
- ★ It produces extremely consistent growth:



# The BTI Portfolio:

Viocorp is a leading platform provider for publishing and broadcasting video content through the web, IPTV and mobile services

## BTI Cost

- \$16.4m

## Current Value

- \$18.7m

## Business Features

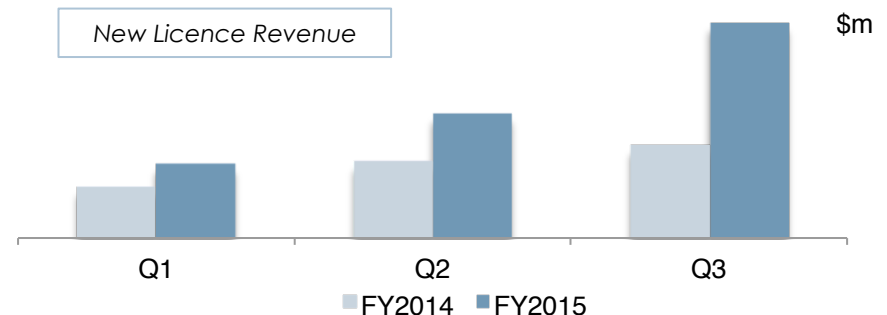
- Online video to any internet enabled device, live & on-demand
- Recurring license revenue
- Established customer base in Australia and Asia
- Proven leading technology

## Recent News

- Doubled average license sale price in FY15 v FY14
- All legacy professional services contracts concluded to focus on attractive core
- Established channel partnership with Optus

## What excites us about

- ★ Viocorp has proven that its technology is as good as any in the world.
- ★ Video platforms will become integrated with very large applications such as Salesforce.
- ★ Demand is accelerating strongly and large price increases are being achieved
- ★ The business model is right – almost entirely recurring license and webcast revenue, delivered from the cloud.
- ★ New recurring revenue established YTD FY15 is significantly greater than FY14:



# The BTI Portfolio: **SMI** Real Time Real Data Real Insight

SMI is an independent aggregator of a unique source of advertising data in 53 countries

**BTI Cost** • \$5.5m

**Current Value** • \$5.5m

**Business Features**

- Sole provider of aggregated media agency advertising actual spend data
- Dominant position established in the Australian market
- Recurring revenue model
- Data secured in 53 countries

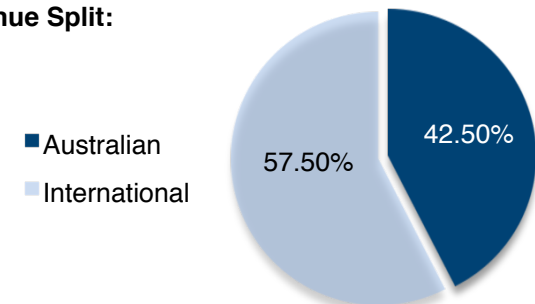
**Recent News**

- New financial sector partnership – products launched
- Wider industry partnerships under negotiation
- Marked increase in industry influence

## What excites us about **SMI** Real Time Real Data Real Insight

- ★ **SMI has exclusive access to very valuable data, and has developed sophisticated systems to extract and manipulate that data.**
- ★ **SMI has a business model that scales extremely efficiently.**
- ★ **There is a huge global opportunity for SMI.**
- ★ **The natural buyers of SMI are showing interest in strategic partnerships.**
- ★ **SMI has secured exclusive access to data in 53 countries around the world.**

Q1 CY15 Revenue Split:



# The BTI Portfolio:



iPRO is a specialised provider of cloud based vendor management software helping large corporates and government manage their contracting vendors

## BTI Cost

- \$5.5m

## Current Value

- \$5.8m

## Business Features

- Cloud based vendor management software
- Offers clients a 24/7 web based data verification portal of vendor, supplier and employee information
- Established broad customer base
- Recurring revenue model

## Recent News

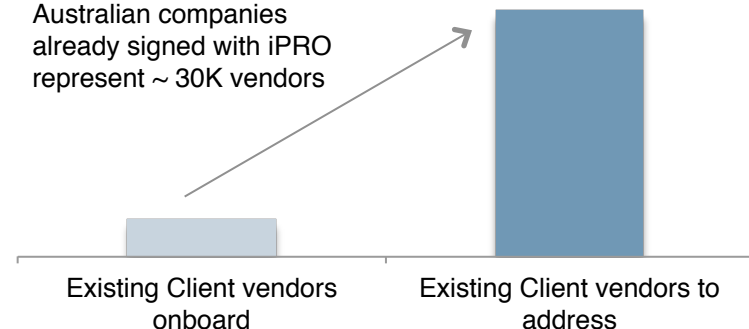
- Investment closed in March 2015
- New CFO, COO and independent director appointed
- Office established in Los Angeles, US
- Accelerating US product development to meet demand

## What excites us about



- ★ It takes advantage of major industry trends: (1) outsourcing, (2) increased risk management.
- ★ It utilises technology to more efficiently meet the needs of its clients.
- ★ The solution is world leading.
- ★ The platform is nearly ready for US launch. Pilot customers have agreed to join.
- ★ > 5,000 paying customers in Australia and can grow to a multiple of that in Australia alone.

Australian companies already signed with iPRO represent ~ 30K vendors



# The BTI Portfolio: **straker** TRANSLATIONS

Straker is a leading provider of cloud-enabled translation services in more than 80 languages, leveraging its proprietary platform to scale globally

## BTI Cost

- \$3.6m

## Current Value

- \$3.6m

## Business Features

- More than 10,000 customers in over 20 countries
- Very strong repeat customer base
- Proven international expansion (already > 80% of revenue is outside of NZ and Australia)

## Recent News

- Signed NZ\$1M contract with Asian version of TripAdvisor
- First projects completed for tech giants Amazon & Twitter
- Tim Williams appointed as Non-Executive Director; Tim was the first westerner to list his company (ValueClick) on the Tokyo exchange

## What excites us about



- ★ **A leading hybrid platform combining the efficiencies of a technology based platform with the quality of thousands of on-demand pre-qualified human translators.**
- ★ **Large global market estimated at US\$37B, underpinned by structural trends (globalisation, increased content published online and a growing middle class).**
- ★ **Highly experienced management team.**
- ★ **Consistent strong growth performance**

Annual Revenue

