Platform
ADVISORY PARTNERS

October 2023

VC & Technology Deals Capital Market Update

If you have received this presentation and would like to be invited to our next market update, please let us know via this link

Platform
ADVISORY PARTNERS

We believe that innovators positively change the world.

We are here to help.

About Us

We specialise in assisting high growth & technology companies with capital raising and M&A transactions

- We employ a high conviction, hands-on approach that drives exceptional outcomes
- Our end-to-end service proposition ensures that we are across every aspect of the transaction, providing a seamless process

Our transactional reach spans local and offshore investors / buyers

- Global and strategic thinking about transaction counterparties
- Our networks and 'hustle' ensure that we can connect to the right people
- Bespoke approach to every client and potential counterparty

Experienced team of senior advisors with a commercial approach and significant transaction experience

- We are culturally aligned to founders, leave our egos at the door and have a 'can do' attitude
- Diverse experience covering private equity, global hedge funds, institutional banking and 20+ years in corporate advisory

Some of our recent activity

Ordermentum **$16,000,000** Series C capital raise	Publift **$31,000,000** Sale of business to an ASX 50 listed group
TeachStarter **$20,500,000** Sale of business to Tes Global	ENTO **Undisclosed** Sale of business to Humanforce
pendula **$6,000,000** Series B capital raise	Snooper **$14,500,000** Sale of business to Wiser
CartonCloud **$12,000,000** Series A capital raise	UPTICK **$47,500,000** Majority buyout of business to Accel-KKR

Platform
ADVISORY PARTNERS

Equity Capital Markets

Sam Karamoshos

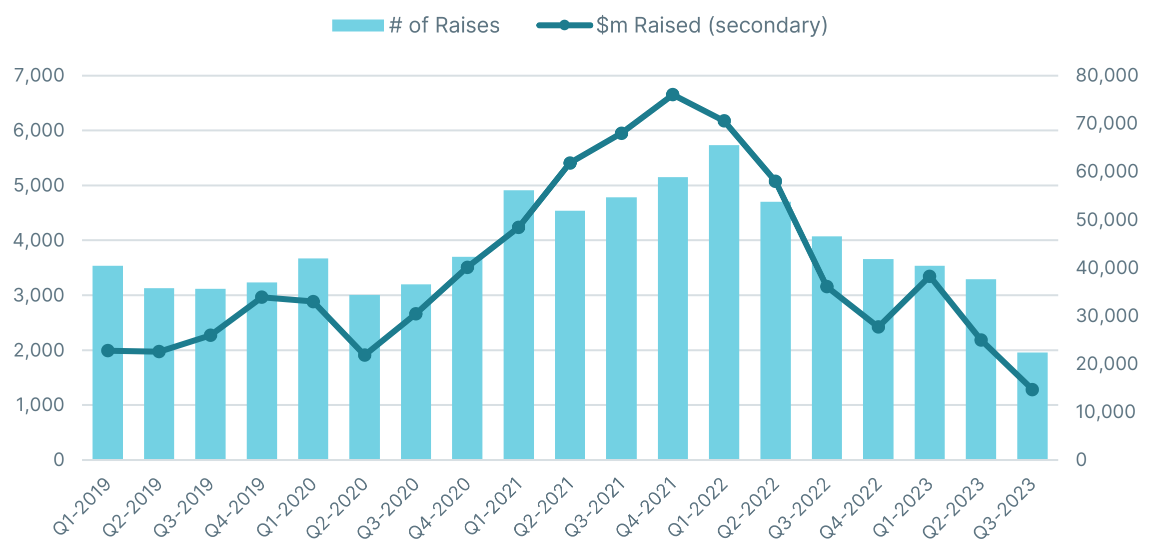
Associate

- 5+ years of M&A and management consulting experience, providing strategic advice and analysis to clients across both the public and private sectors
- Previous experience includes roles in Management Consulting (Strategy & Operations) at Deloitte, and as an Analyst at Babcock

Capital deployment into tech deals is at multi-year lows

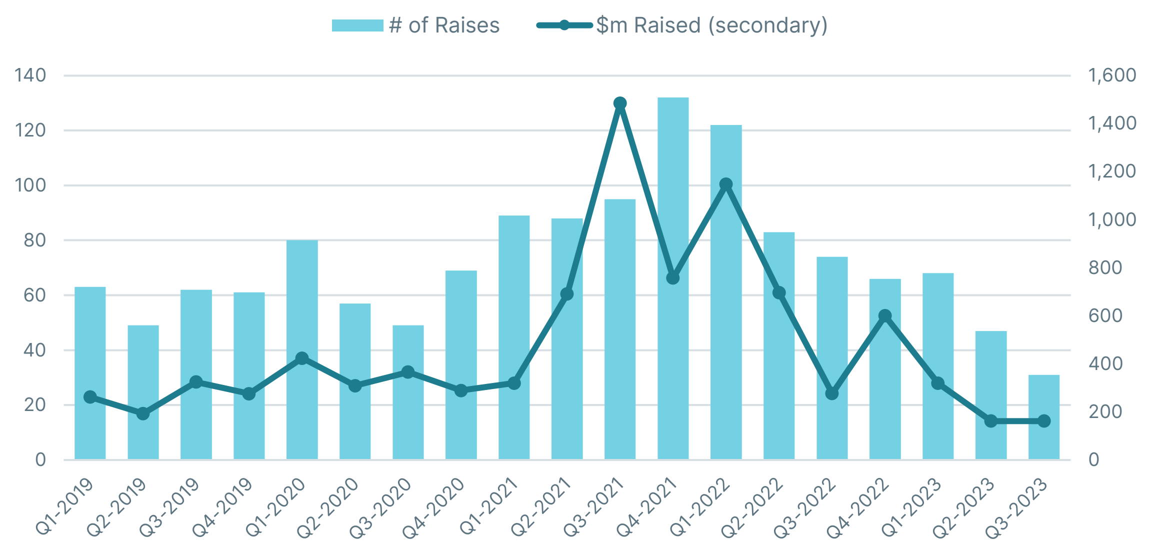
Platform
ADVISORY PARTNERS

Volume and Quantum of Tech Co. Raises – Global ($m)



Source: PitchBook Data, Inc.

Volume and Quantum of Tech Co. Raises – ANZ ($m)



Source: PitchBook Data, Inc.

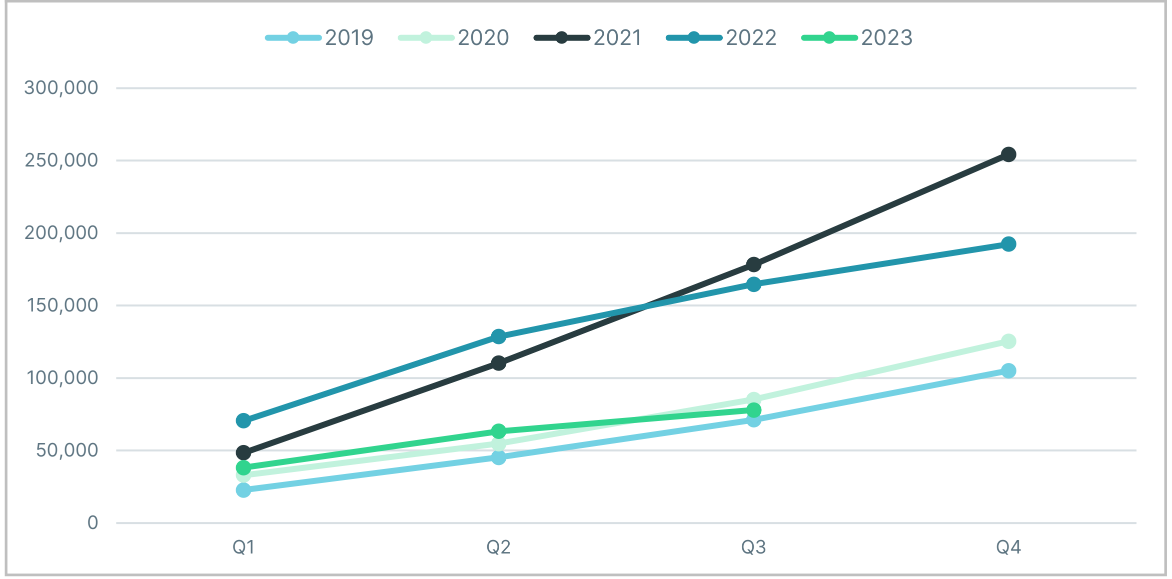
- 3Q23 saw a continued decline in the number of reported global tech capital raises. Deal activity was approx. 50% down the highs of 2021 and 2022.
- Q3 global transaction volumes were likely a further step down on already subdued 2023 activity, and below the 'pre-bubble' period of 2019.
- The pace of global venture capital deployment continued to slow, but anecdotally the US market is starting to show some 'green shoots'.
- In 2Q23, total deployment reduced to a third of peak volume, as there were fewer tech mega-deals to drive overall volume.

- ANZ deal flow was at historical lows in 2Q23, however 3Q23 was likely lower.
- As data is limited to announced deals, there may be some activity not captured where convertible notes or SAFEs are being leveraged by existing investor to extend cash run-way, or where small high-net-worth rounds are being completed, without subsequent announcement.
- Capital deployment in ANZ deal flow has historically been more volatile, e.g. mega-deals ($100m+) within 3Q21 for Canva, Airwallex, GO1, Employment Hero drove aggregate capital deployment.
- No Australian software company has raised $100m+ this year, (data set excludes Saluda Medical - a MedTech, and Loam – an Agri BioTech).

Capital deployment in ANZ is relatively weaker

Platform
ADVISORY PARTNERS

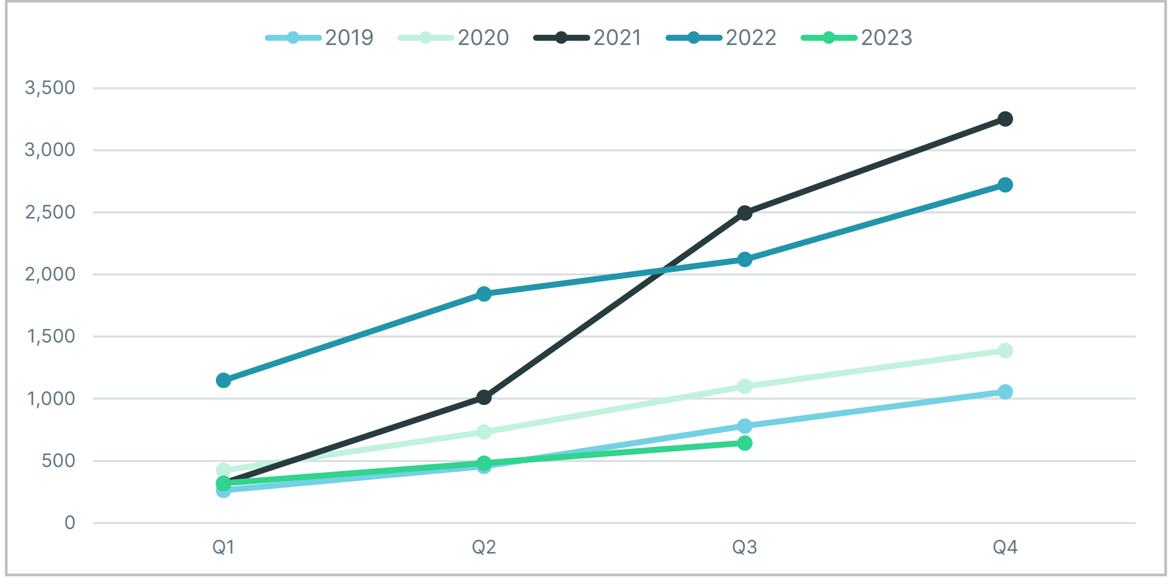
Cumulative Total Capital Raised by Calendar Year – Global ($m)



Source: PitchBook Data, Inc.

- Global technology capital raisings on a year-to-date basis are pacing at 2019 / 2020 levels, with YTD 3Q23 being approx. 50% the peak periods of 2021

Cumulative Total Capital Raised by Calendar Year – ANZ ($m)

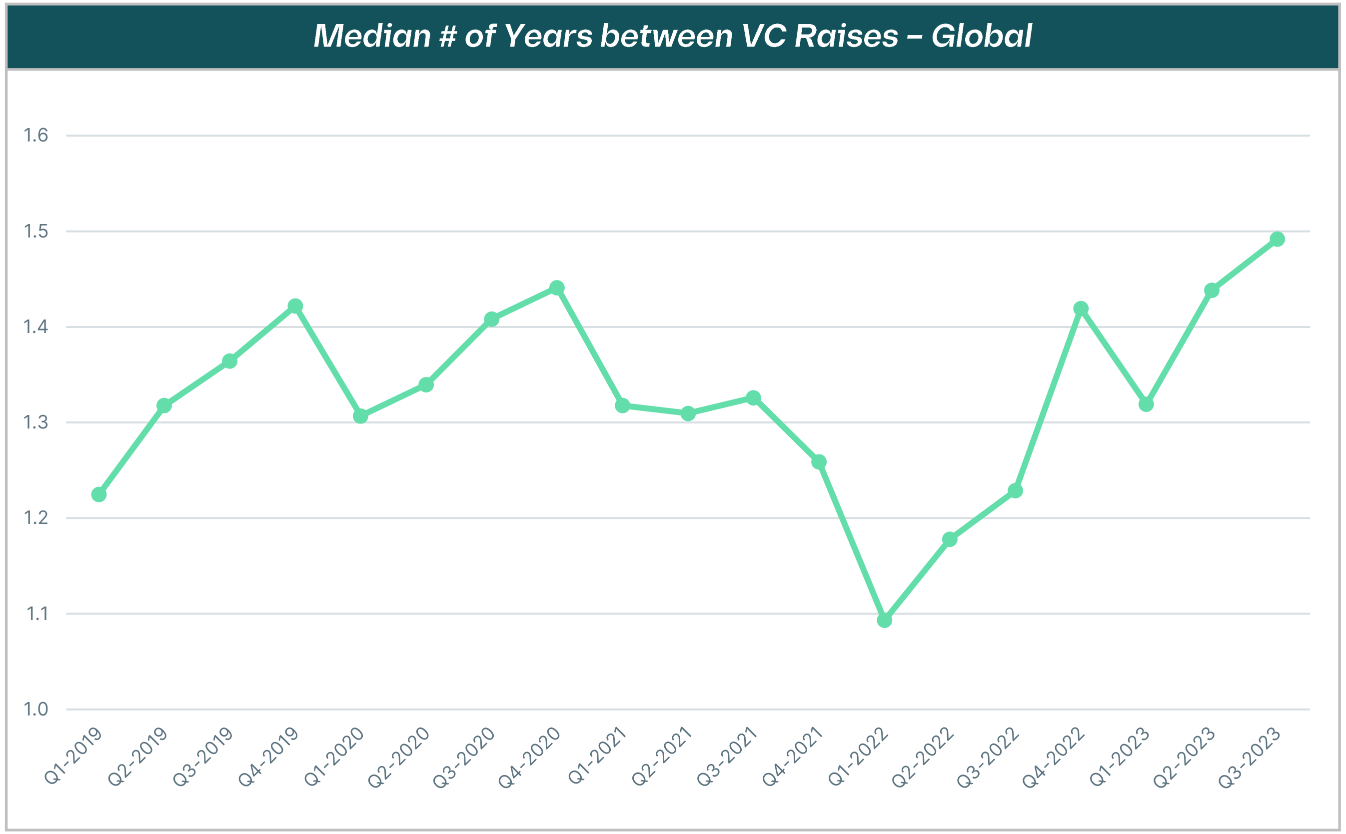


Source: PitchBook Data, Inc.

- ANZ capital raisings on a year-to-date basis are pacing at or below 2019 levels, with YTD 3Q23 being approx. 70% below the peak periods of 2021.
- The boom period of 2020 and 2021 saw greater deployment in ANZ vs other markets, but the pull-back from peak has also been more pronounced.

The time between capital raisings is extending

Platform
ADVISORY PARTNERS



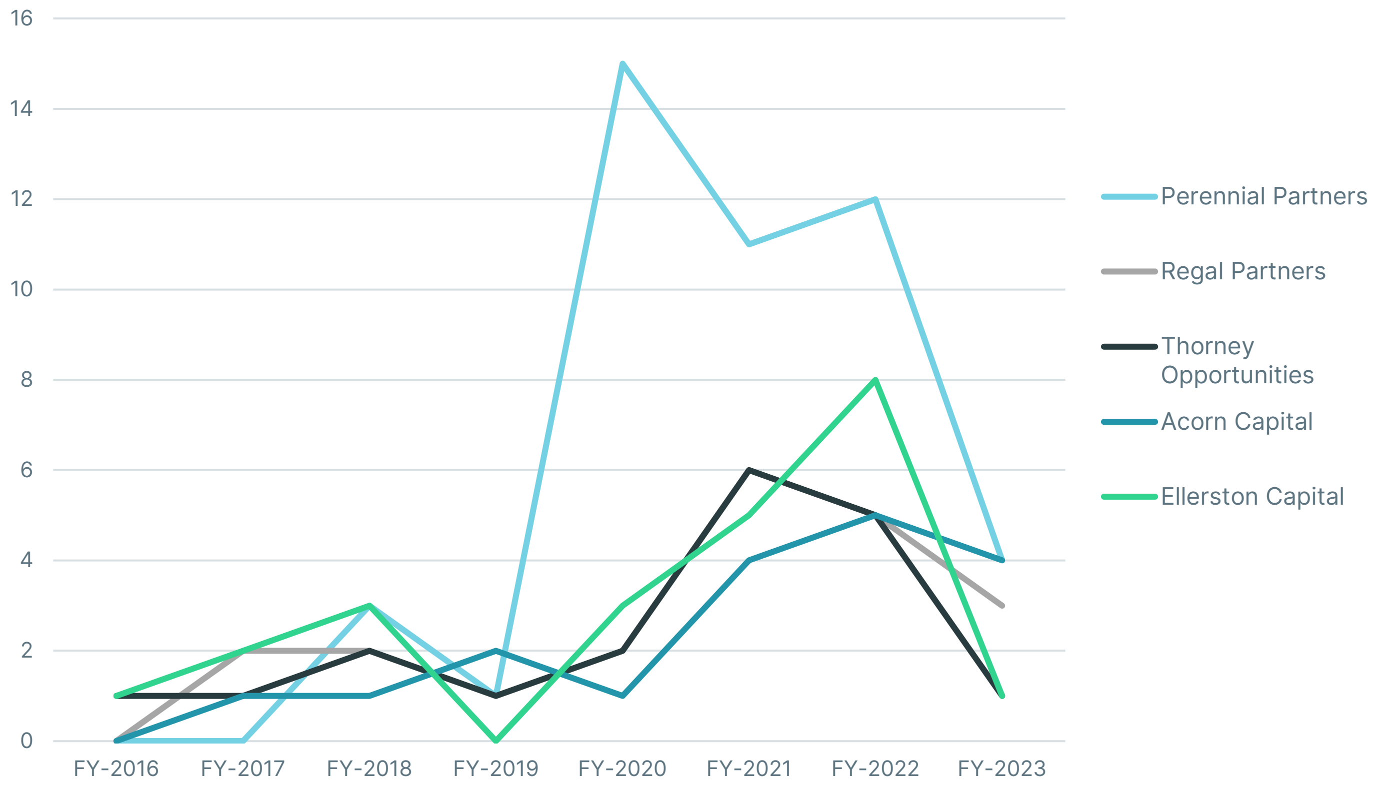
Source: PitchBook Data, Inc.

- In the early COVID period, there was significant uncertainty which saw capital raising cadence slow.
- Once the initial COVID concern passed (and locally JobKeeper was announced), there was a rush of VC deployment as we entered the ZIRP ('zero interest rate policy') period.
- The lower cost of capital (higher valuations) and perceived valuation reward for high growth (regardless of cost) saw companies raise more frequently, and at times receiving unsolicited offers at lofty valuations that compelled them to raise and amass cash war chests.
- Since early 2022, valuation compression coupled with relative scarcity of capital has seen companies delay raising as many 'switch gears' from prioritising growth to profitability.
- We anticipate this trend to continue as fund deployment cycles remain elongated.

Pre-IPO funds have slowed dealmaking

Platform
ADVISORY PARTNERS

Participation in tech deals by pre-IPO funders



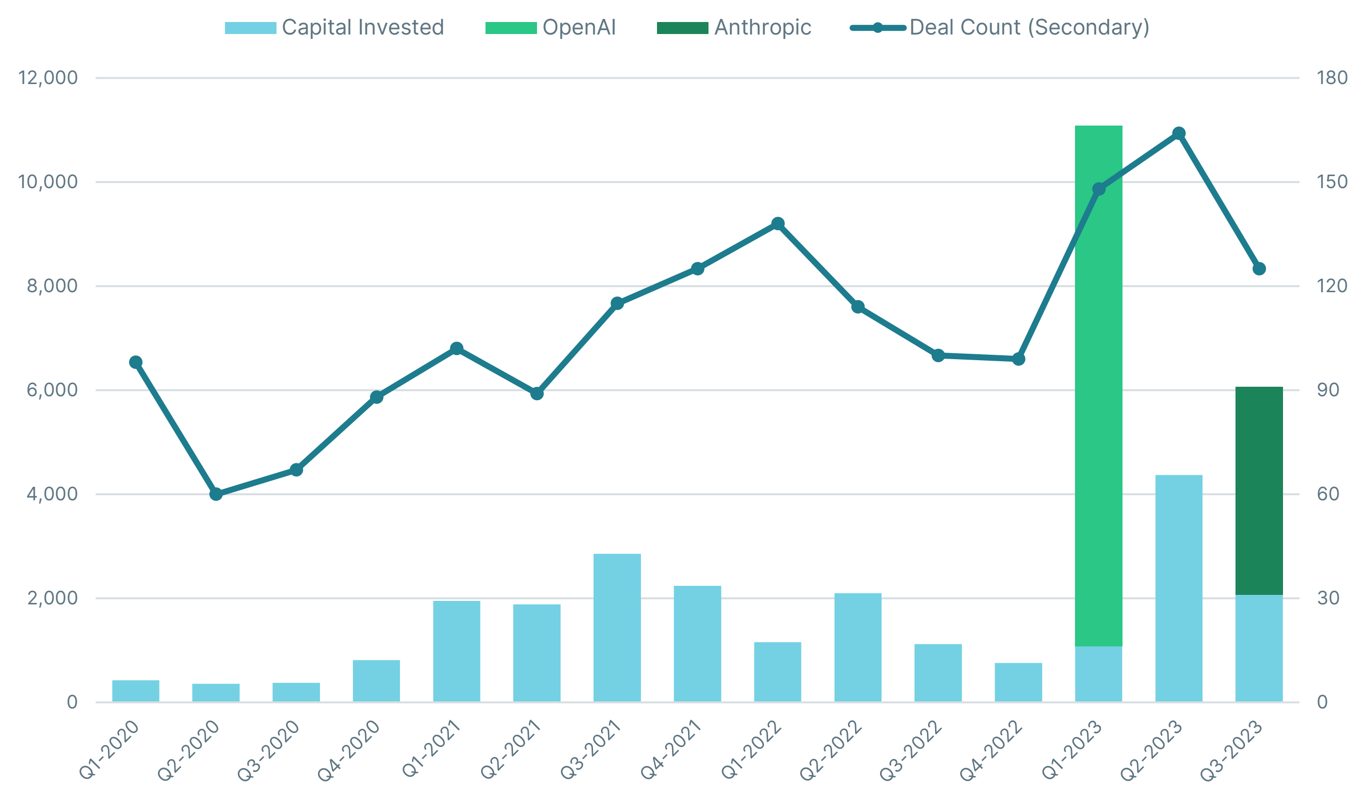
Source: PitchBook Data, Inc.

- In the peak period of 2020 through to early 2022, pre-IPO funds (sometimes known as “cross-over fund”) went through a period of frenetic dealmaking (noting that the deal counts exclude MedTech and consumer retail sectors)
- Similar to what has occurred in the earlier stages of the investment landscape, pre-IPO investments have also decreased in FY23
- This is not unexpected, given that their cadence of exit (often via the IPO market) has slowed.
- The more prominent pre-IPO investors in Australia have all followed a similar trajectory, with the five investment groups shown decreasing their number of deals by an average of 59% between FY22 and FY23

Generative AI mega-deals are driving the sector

Platform
ADVISORY PARTNERS

Volume and Quantum of Generative AI Capital Raises – Global ($m)



Source: PitchBook Data, Inc. -- Data as at 30/9/2023

- Machine Learning and Artificial Intelligence have been strong sectors (by both volume and quantum of deals), but the Generative AI subsector has been particularly active recently.
- There have been two recent mega-deals that have helped drive sector growth – $10b raised by OpenAI and $4b raised by Anthropic
- While the deal count in the sector has seen only modest increases (2023-YTD is ~40% higher than 2020), the total amount of capital raised has exploded, with 2023 already almost 10x higher than 2020.

Platform
ADVISORY PARTNERS

Exits - M&A and IPO activity

Thomas Petrakos

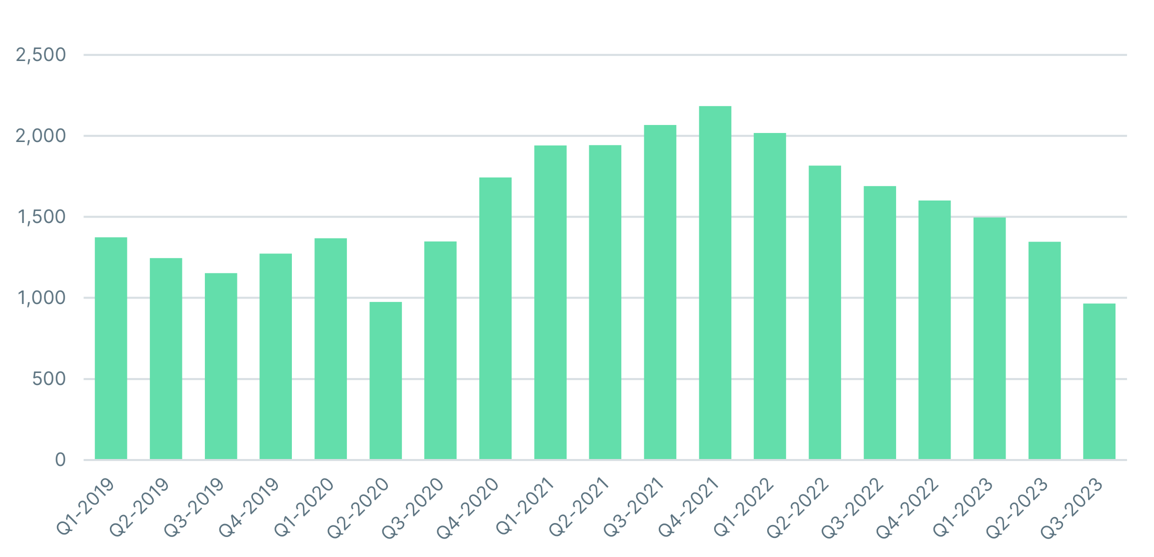
Founder/Director

- 20+ years of advisory, private equity and finance experience across listed and private companies
- Transactional experience includes Venture Capital, Private Equity, strategic acquisitions and sale transactions
- Thomas was Vice President at EM Advisory working across numerous capital raisings and M&A transactions.

Technology M&A deal volumes continue to slide

Platform
ADVISORY PARTNERS

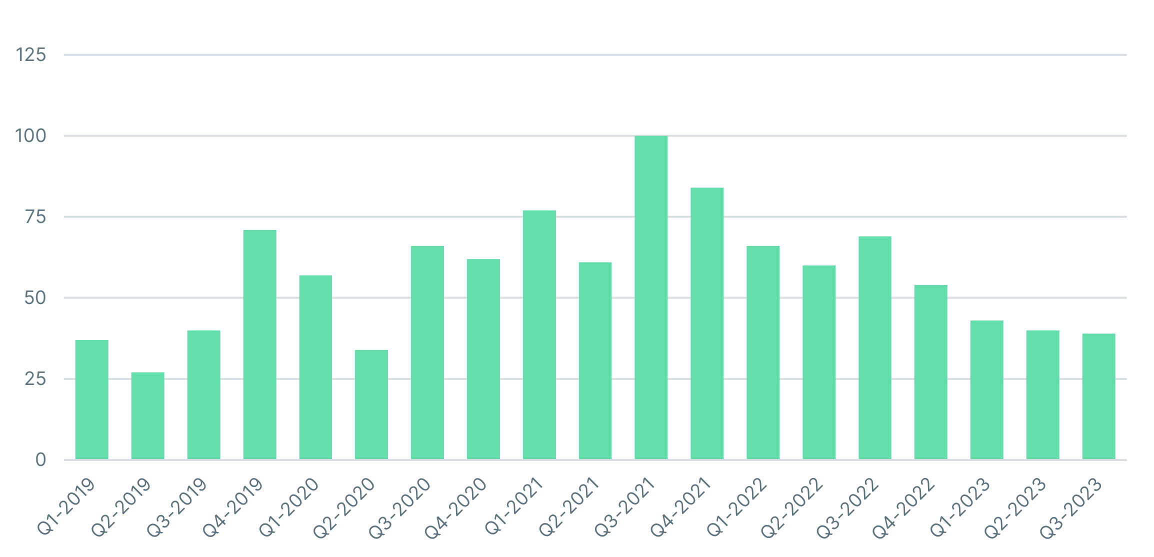
Total Technology M&A Deal Count – Global



Source: PitchBook Data, Inc.

- Global technology M&A deal volumes have gradually trended back to pre-peak levels following a run-up based on 'zero interest rate policy' (ZIRP) activity, which fuelled both availability of equity and debt capital to fund acquisitions.
- Subdued M&A activity is not limited to the technology sector, with many industries seeing a cyclical trough in M&A as interest rate conditions 'normalised' (mining and resources being a notable exception).

Total Technology M&A Deal Count – ANZ



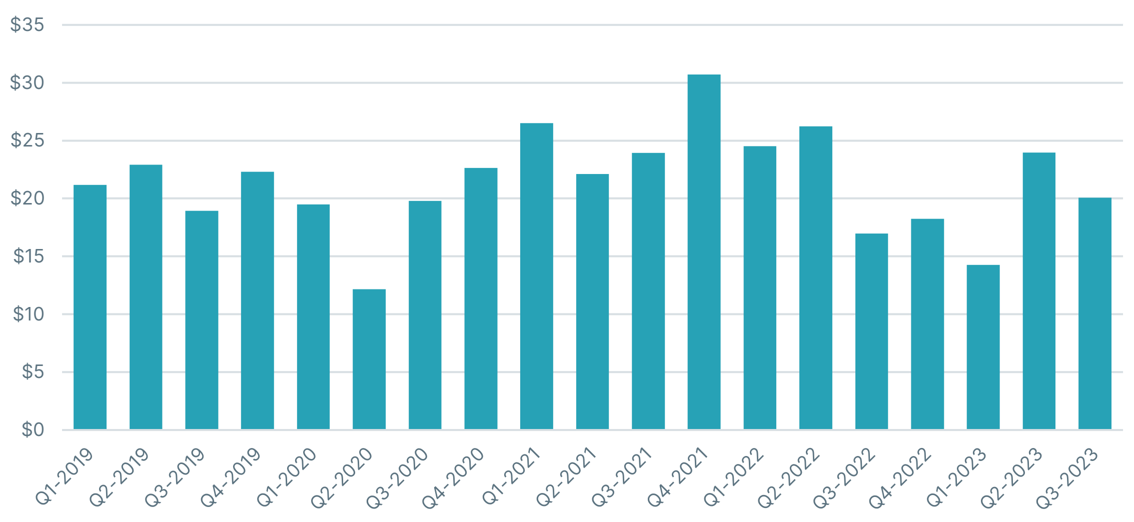
Source: PitchBook Data, Inc.

- ANZ technology M&A deal volumes generally remain above pre-COVID levels, however the nature of deals is changing.
- While transactions during the peak period likely included higher valuations (on an ARR basis) with significant upfront cash components, recent transactions are often incorporating significant scrip and/or earn-out components.
- Anecdotally the strategy behind M&A has also changed. Previously 'growth' and 'product enhancement' were significant drivers. Recently common rationales include 'synergies', 'run-way extension' and 'inability to raise'.

Deal sizes have followed suit

Platform ADVISORY PARTNERS

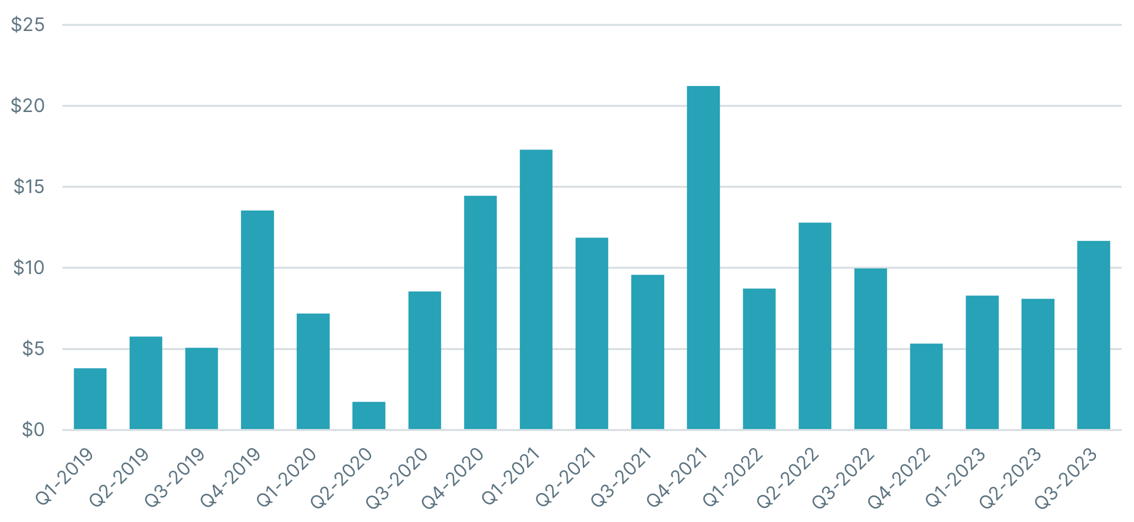
Median Technology M&A Deal Size – Global ($m)



Source: PitchBook Data, Inc.

- As valuation metrics shifted from lofty ARR multiples to an EBITDA multiple focus, the overall median enterprise value of acquired businesses decreased.
- The recent uptick is suggestive of acquirer groups looking at larger, more sustainable targets for acquisitions.

Median Technology M&A Deal Size – ANZ ($m)



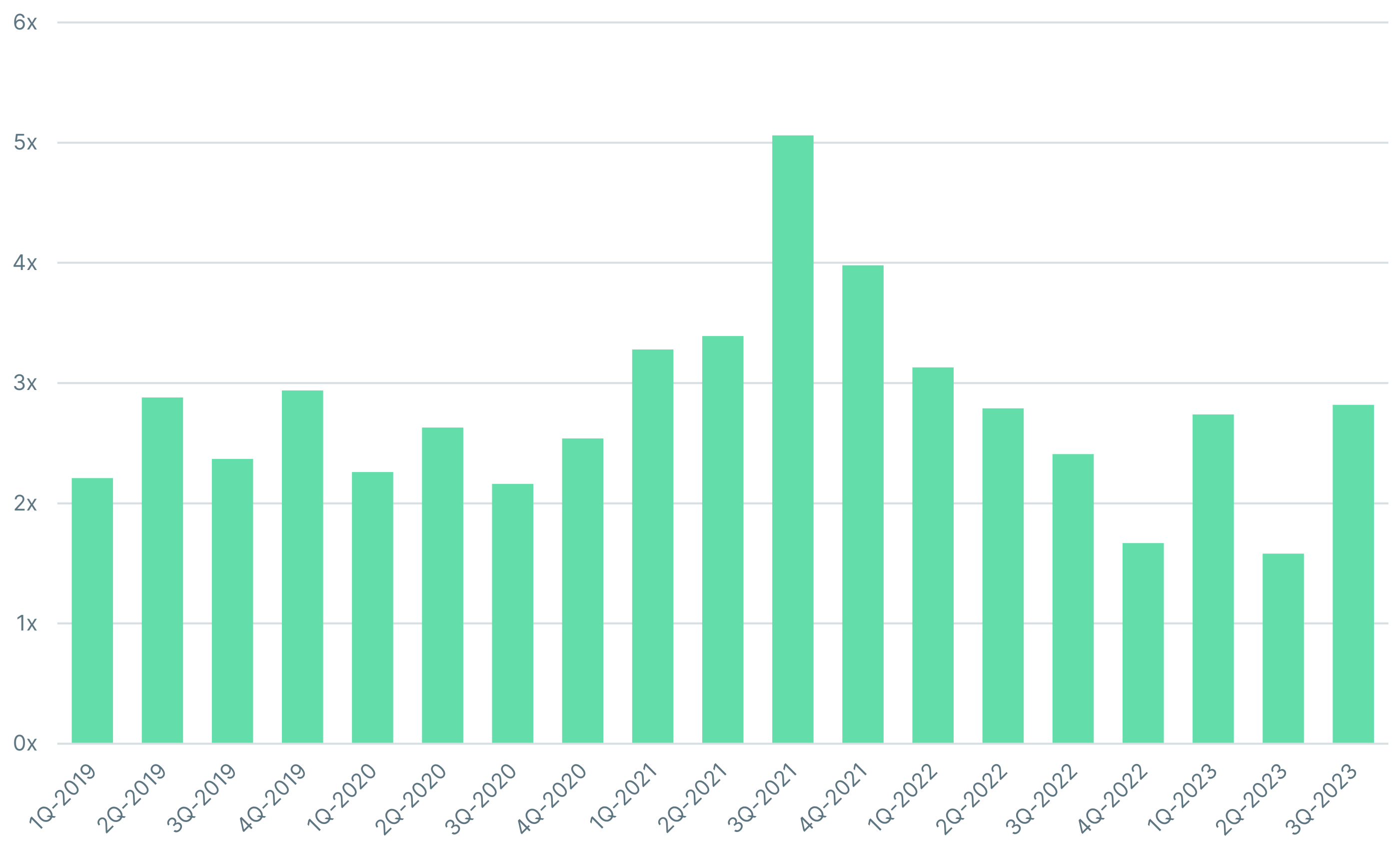
Source: PitchBook Data, Inc.

- Deal size has come off significantly with a reduction in the larger end due to an inability to reconcile valuation differences.
- Anecdotally, high-quality, larger tech businesses are waiting for valuations to rebound before considering a sale process, with smaller loss-making businesses that are reaching the end of runway needing to make a choice – potentially sacrificing valuation if no other options are available.

Valuations have come back considerably

Platform
ADVISORY PARTNERS

Median EV/Revenue M&A Tech Valuation – Global

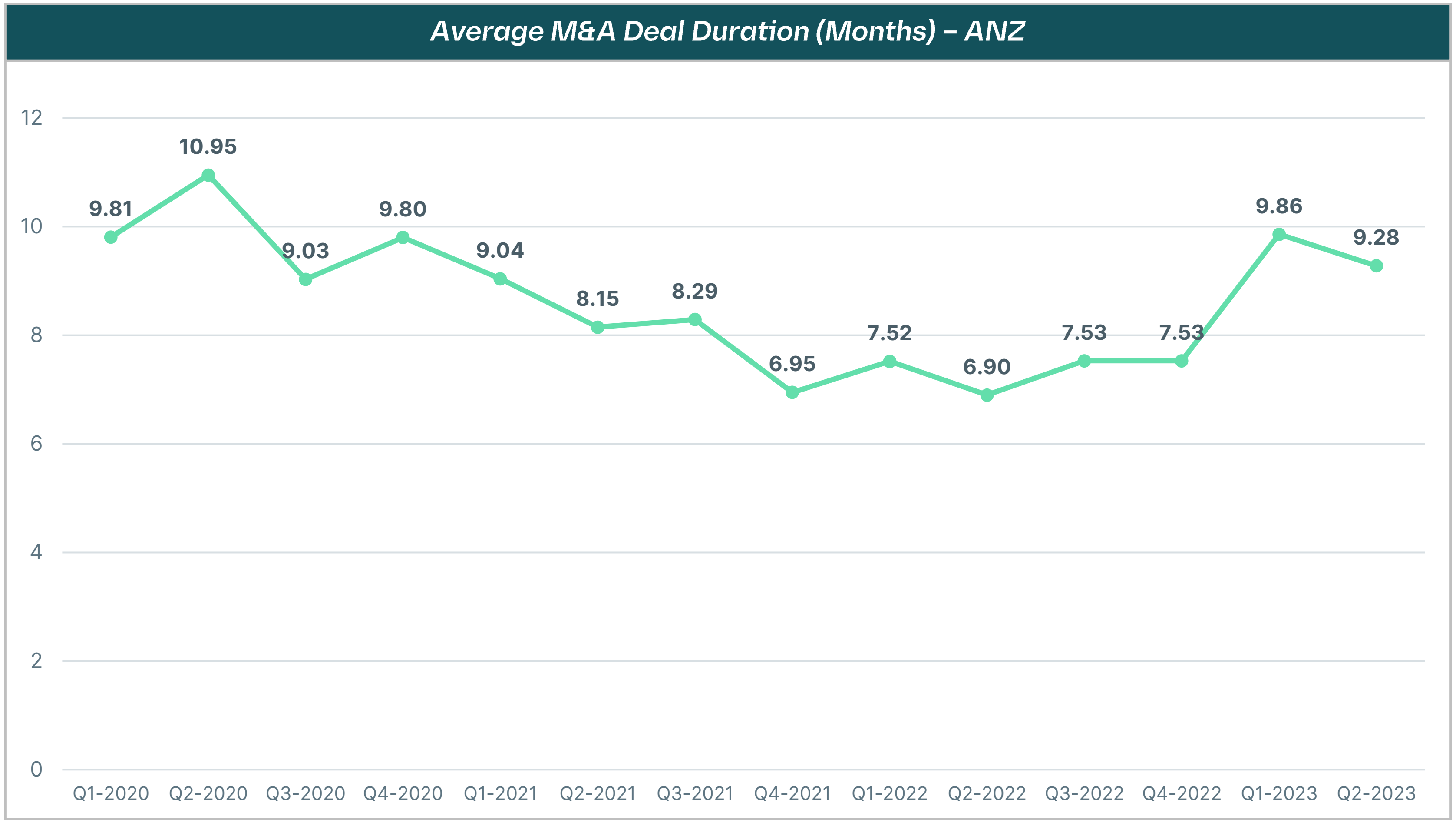


Source: PitchBook Data, Inc.

- Valuations in M&A have followed a similar trend to those experienced in the capital raising market
- While the median revenue multiple exceeded 5x during the highs of 2021, this had fallen by almost 70% by the last quarter of 2022.
- As global markets have begun to show some signs of recovery, led by mega-caps on the NASDAQ, private market valuations have also stabilised.

M&A deals are feeling slow for a reason

Platform
ADVISORY PARTNERS



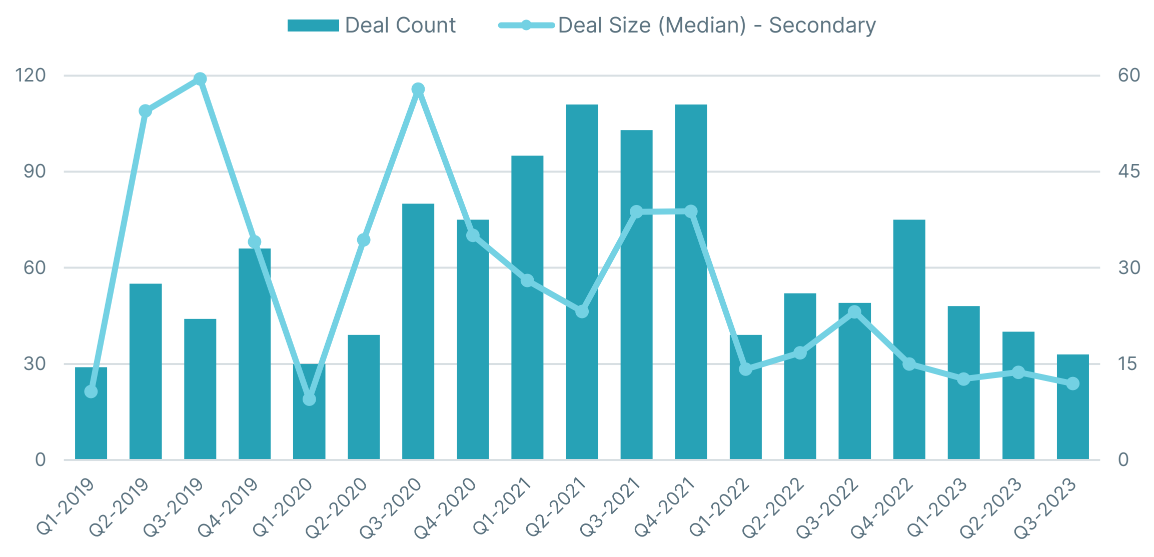
Source: Ansarada FY24 Deal Indicators Report

- M&A deals are taking longer to complete, with deal timelines on par with the early COVID period where acquirers were awaiting greater certainty around the potential COVID impact.
- Q4 of 2021 saw deals taking an average of under 7 months to complete but since this point, there has been a steady upward trend resulting in M&A deals taking ~35% longer to close
- Anecdotally we are seeing challenging financial markets resulting in more cautious acquirers and more extensive due diligence.

Smaller listings and less raised

Platform
ADVISORY PARTNERS

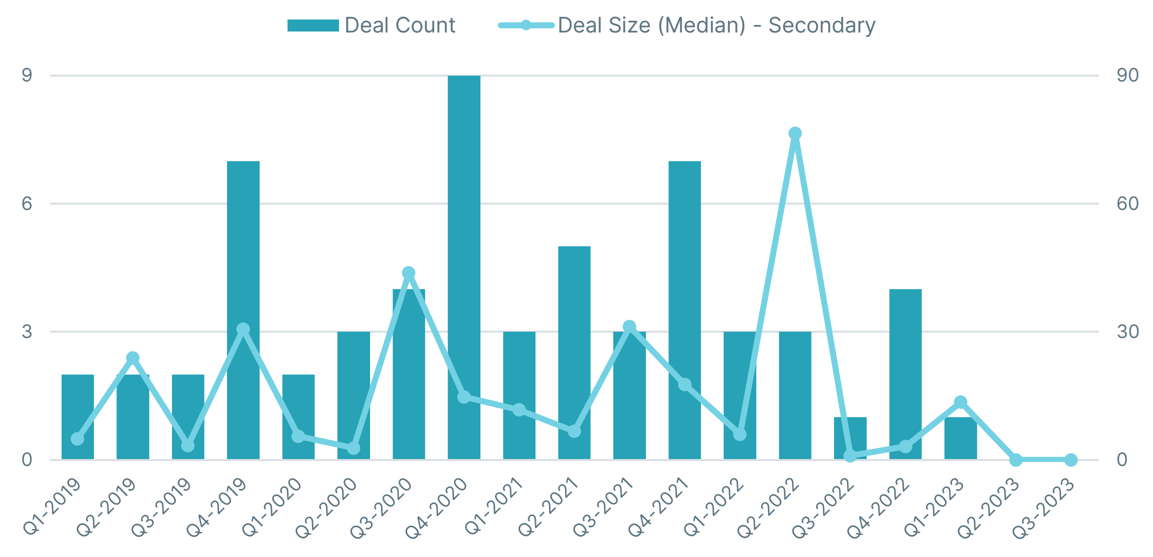
IPO Deal Count & Median Capital Invested – Global ($m)



Source: PitchBook Data, Inc.

- Technology company IPOs have been slowing globally, reaching lows last seen in the early COVID period and running at 35% of 2021 peak activity.
- Companies listing via IPO are getting smaller, and the amounts being raised in the round are also decreasing.

IPO Deal Count & Median Capital Invested – ANZ ($m)



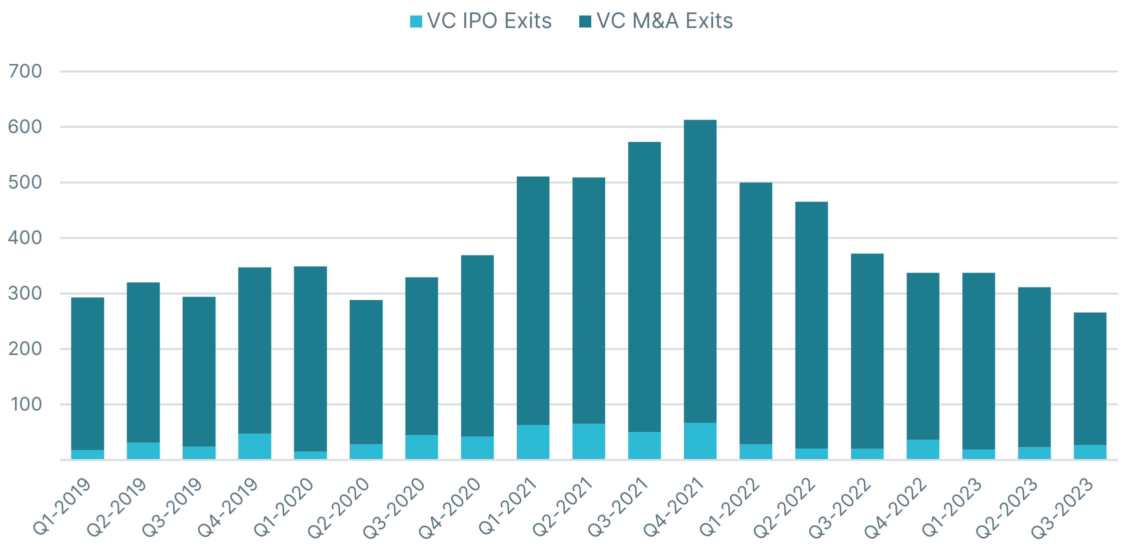
Source: PitchBook Data, Inc.

- The 'IPO window' for ANZ technology companies is largely closed, with no deal activity since mid-January.
- Anecdotal feedback suggests many companies and funds are anxiously waiting for the ASX 'IPO window' to open, as fashionable pre-IPO structures used in 2021 have yet to provide liquidity, as well as some 'cross-over funds' feeling pressure given their mandate constraints on holding periods.

VC Exits by Type – Global

Platform
ADVISORY PARTNERS

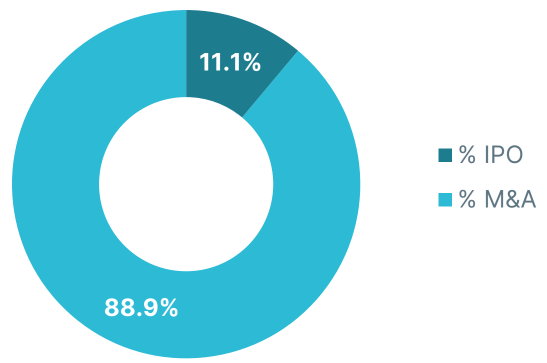
Number of VC Exits



Source: PitchBook Data, Inc.

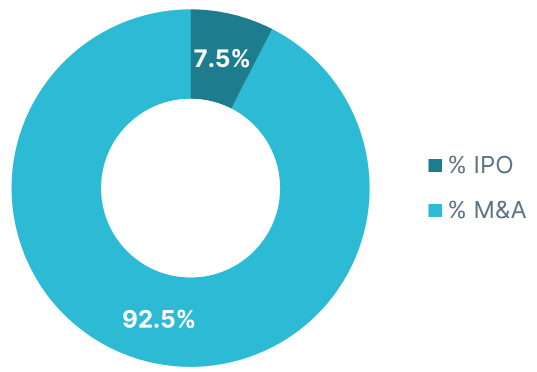
- Given the state of the IPO window over the past 18 months, VCs have been achieving exits on their investments through M&A at a higher rate
- The IPO exit rate was almost 50% higher in 2021 contrasted with that in 2023 so far
- Those companies looking to IPO will be closely observing the cohort of recent technology IPOs in America closely, and this may enable further IPO exits for VCs in the medium-term

VC Exit by Category – 2021



Source: PitchBook Data, Inc.

VC Exit by Category – 2023 (YTD)



Source: PitchBook Data, Inc.

Platform
ADVISORY PARTNERS

Public Markets, Valuations & Other

Paul Tontodonati

Founder/Director

- Investment and advisory experience across Australia and Europe
- Transactional experience spans Venture Capital, Debt origination, M&A and derivative markets
- Previously at Luxembourg based DAM Capital Management, Paul managed a €250m equity and high yield debt portfolio

Listed markets unforgiving to IPOs from the last 3 years

Platform
ADVISORY PARTNERS

Share Price Minimum, Maximum and Current (Dot) as movement from IPO price

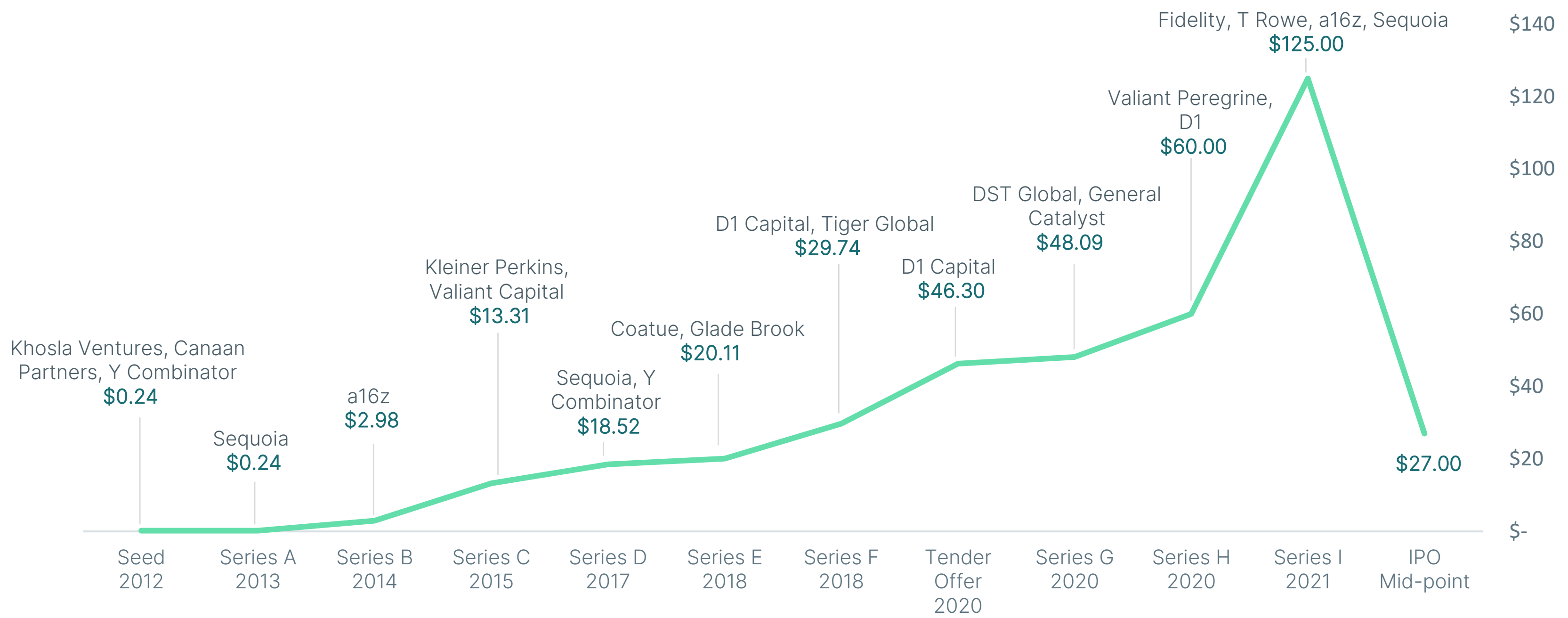
Source: PitchBook Data, Inc.; *Data has not been reviewed by PitchBook analysts. Data as at 30/9/2023

- In September Klaviyo, Arm and Instacart all listed, with market commentators suggesting that they may act as a precursor to the IPO window reopening – post-IPO share price performance to-date is encouraging.
- Other than 3 recent IPOs in Sep-23, all others occurred between Sep-20 and late-2022.
- Overall, these listed stocks have performed poorly for public market investors, with the overall cohort currently trading at an average discount of 40% compared to their IPO price.

Was the Instacart IPO a success for VCs...?

Platform
ADVISORY PARTNERS

Capital Raising history of Maplebear Inc (aka Instacart)



*Source: PitchBook Data, Inc.; *Data has not been reviewed by PitchBook analysts*

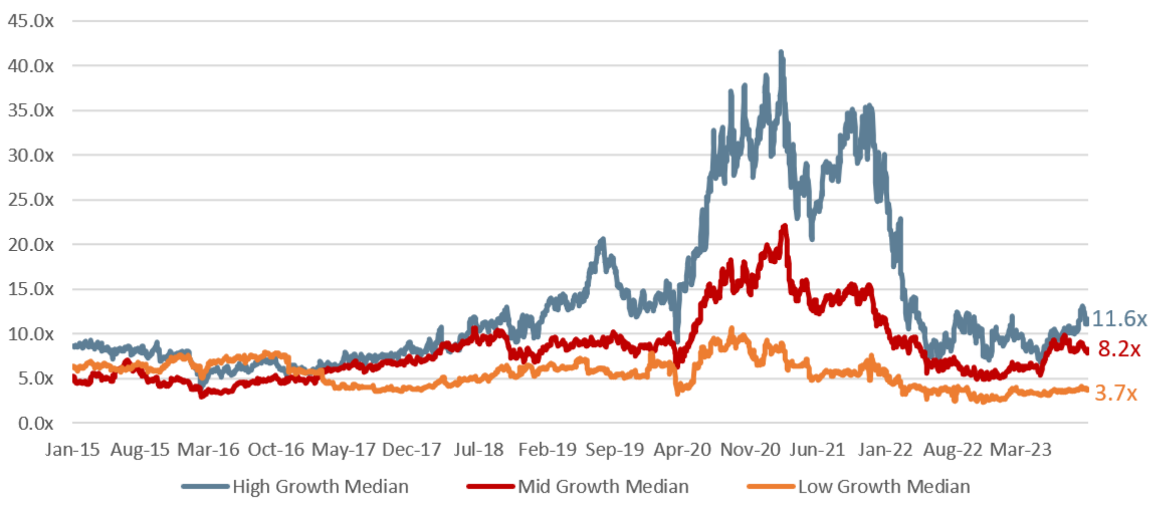
- Instacart (Maplebear Inc) offers grocery delivery and pick-up services (in the US & Canada). The model enables shoppers to select groceries from various retailers, with a personal shopper then picking and delivering goods to the shopper's door.
- While the successful NASDAQ listing in Sep-23 was welcomed by the market, the business listed at an approx. 80% discount to its prior round ($9b, vs prior round of $39b)

- While some market commentators have suggested that Series F and later investors have crystalised heavily losses (based on the current price compared to their entry price), Pitchbook data suggests that all rounds have leveraged 1x liquidation preference.
- Given the sheer size of the preference stack ($2.7b in capital raised) its likely returns for early investors have been squeezed significantly.
- During the height of 2021 deal activity the company was in discussions with DoorDash to be acquired for $45b...a far cry from its current ~$9b valuation.

Listed SaaS Valuations (US markets)

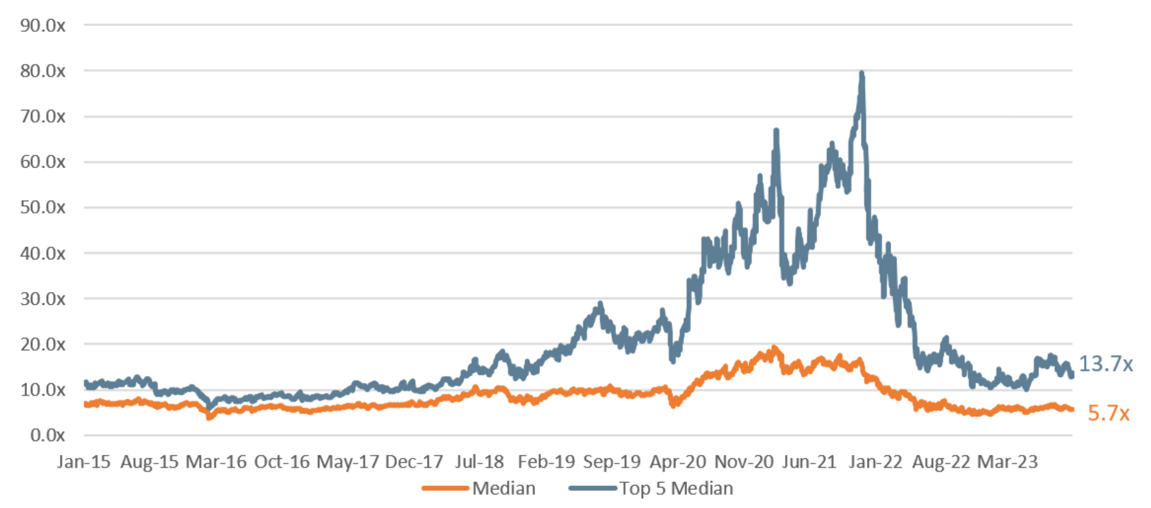
Platform
ADVISORY PARTNERS

EV / NTM Revenue Multiples (by growth cohort)



Source: Clouded Judgment blog, Jamin Ball

EV / NTM Revenue Multiples (Top 5 vs median)



Source: Clouded Judgment blog, Jamin Ball

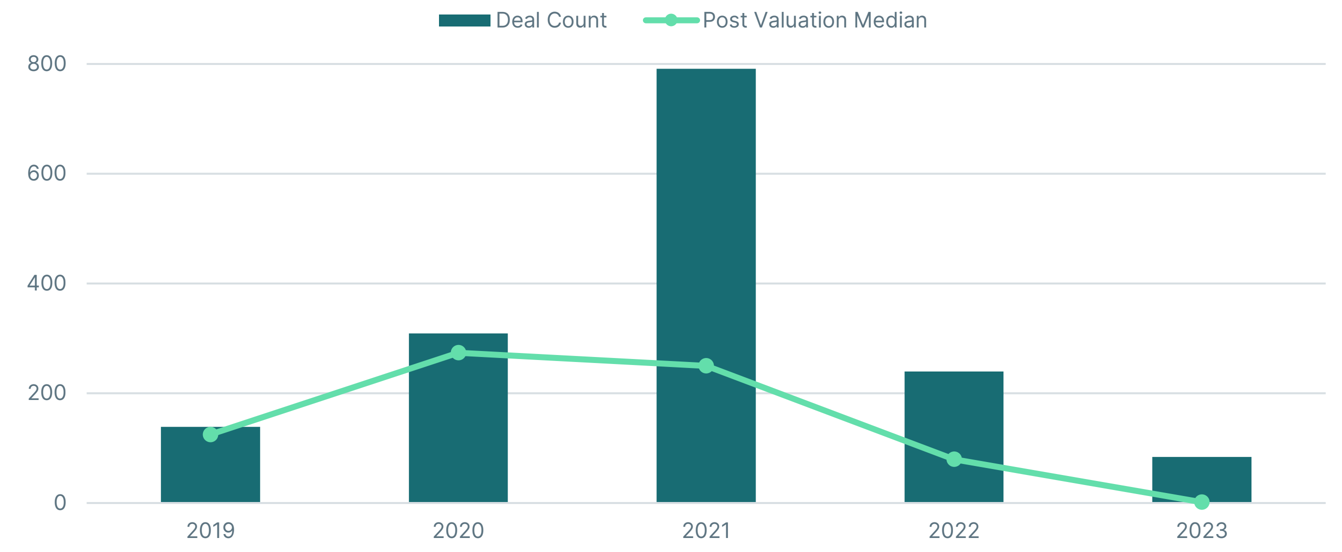
- The above graphics are taken from Jamin Ball's Clouded Judgement weekly newsletter, where he tracks SaaS valuations.
- Cohorts on the left graphic are defined by growth rates; high growth >30%, mid growth 15%-30%, and low growth <15%, noting that these companies are typically of significant scale (so growth becomes increasingly harder)
- All cohorts saw their valuation multiples double (or more) during CY20/21, however the while mid & high growth cohorts have generally reverted to prior multiples, the low growth cohort is at the low end of its historical range.

- If we look at the Top 5 (by valuation multiples) vs the overall SaaS median, we see that while a small number of large companies (currently Snowflake, Cloudflare, MongoDB, Palantir, Samasa) are trading at median of 13.7x NTM revenue, the overall median is a more modest 5.7x NTM revenue.
- The overall median of 5.7x NTM revenue is just above the floor of the historical range that occurred in the 2017 period and prior.
- Interestingly both the Top 5 and Median valuation multiples appear to be 'rolling-over' after a period of recent strength from May to August.

Remember SPACs...?

Platform
ADVISORY PARTNERS

SPAC Deal Count (by calendar year)



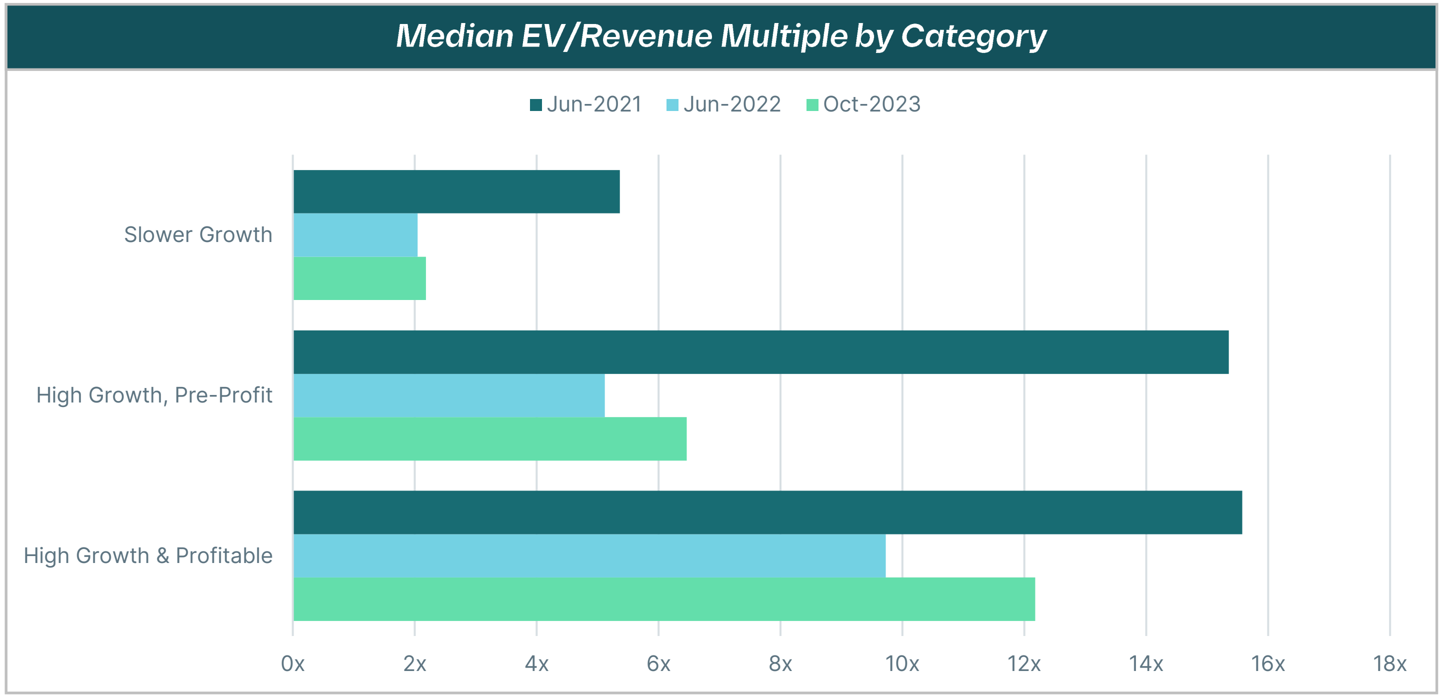
*Source: PitchBook Data, Inc.; *Data has not been reviewed by PitchBook analysts*

- Special Purpose Acquisition Companies, or 'blank cheque companies' are shell companies that raise capital through an IPO with the sole purpose of acquiring a private company.
- Prohibited on the ASX but popular within the US market during the ZIRP environment, the niche transaction structure saw an unprecedent increase in utilization and raise size.
- Since the peak, utilization of the structure has reverted to levels below those seen in 2019.

- J.P. Morgan Asset Management has called the SPAC frenzy triggered by the ZIRP environment as "disastrous" and "nothing short of a train wreck".
- Approximately 90% of SPACs have underperformed the large US listed indexes (NASDAQ & NYSE) by as much as 70%, with the median loss for the 2020 cohort of SPACs being 80%.

Source: Ansarada

ASX tech valuations - a big premium for profits



*Source: PitchBook Data, Inc.; *Data has not been reviewed by PitchBook analysts*

- ASX listed technology company valuations have been most resilient for those that are both high growth and profitable.
- As cost of capital increased and market sentiment shifted towards profitable businesses, the median revenue multiple valuation of high-growth, pre-profit companies fell by two-thirds between 30-Jun-2021 and 30-Jun-2022.

Slower Growth (<15%), 12 companies:

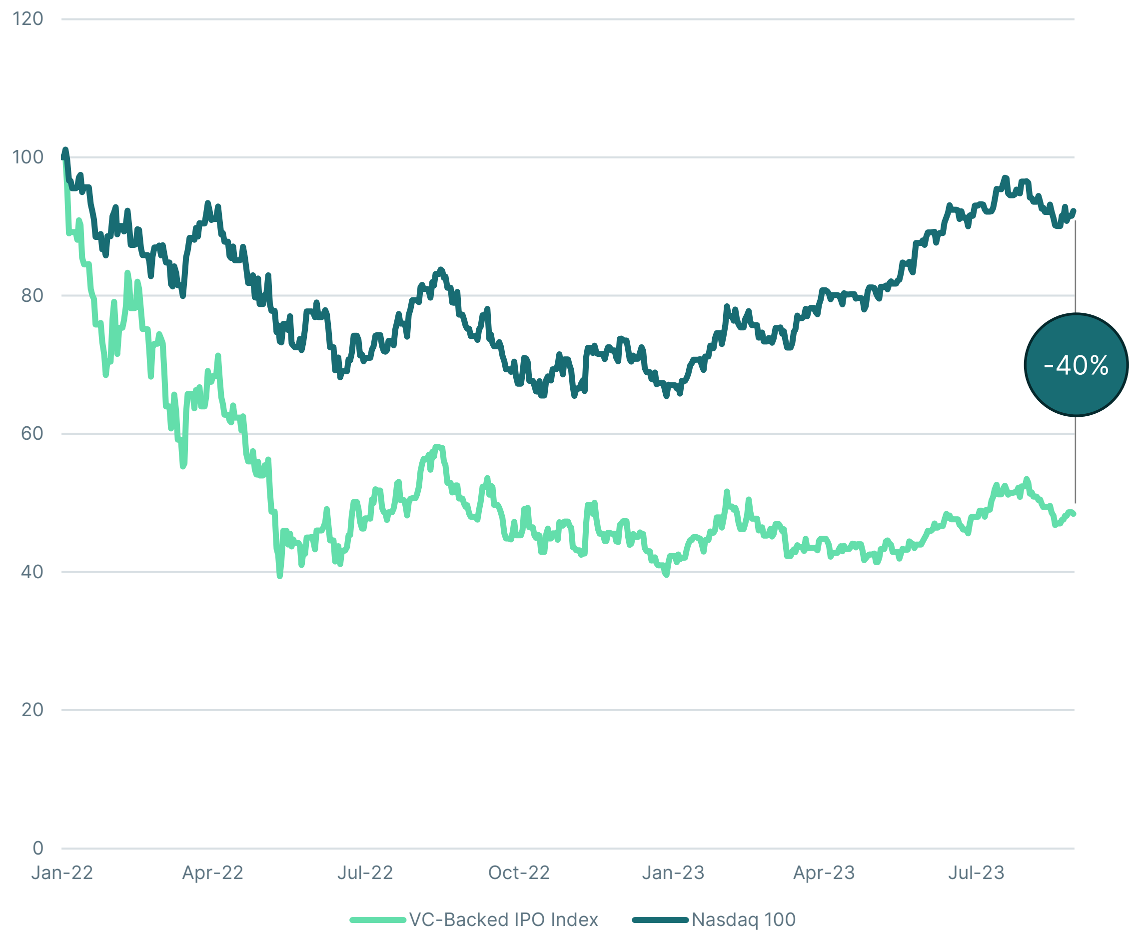
High Growth, Pre-Profit (30-100%+), 4 companies:

High Growth & Profitable (25-70%+), 8 companies:

Decreasing valuations have naturally impacted VC returns

Platform
ADVISORY PARTNERS

US VC-backed IPO Index vs NASDAQ 100



Source: PitchBook's Q3 Quantitative Perspectives, Turbulence on the Approach

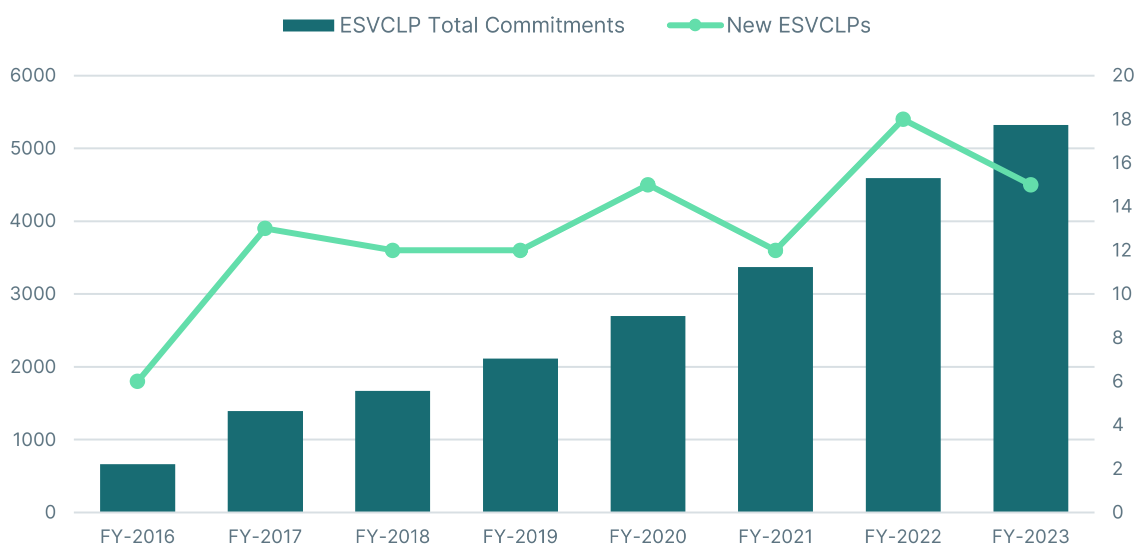
US VC funds rolling one-year IRRs through 2022

Source: PitchBook's Q3 Quantitative Perspectives, Turbulence on the Approach

Australian VC ecosystem remains relatively resilient

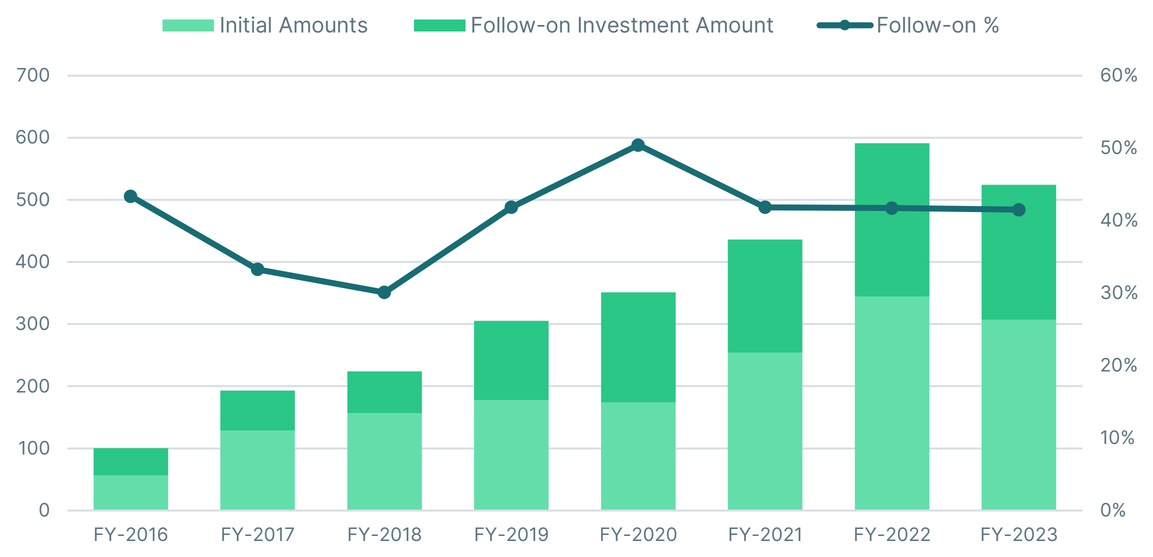
Platform ADVISORY PARTNERS

ESVCLP commitments (AUD, m) & new funds launched



Source: Department of Industry – in draft and subject to change

ESVCLP - initial vs follow-in investments (AUD, m)



Source: Department of Industry – in draft and subject to change

- Globally new allocations towards VC funds have reduced since the NASDAQ pull-back in early 2022, but Australia's experience may be more nuanced.
- Based on data from the Department of Industry, the number of new ESVCLPs and associated new ESVCLP commitments in FY23 was remarkably strong.
- The data above doesn't include VCLP funds, as these funds tend to be more industry agnostic, with only 9 of the most recent 38 fund registrations indicating an interest to invest in technology businesses.

- Total capital invested by ESVCLPs in FY23 was relatively consistent with earlier periods (noting that this excludes US funds and some pre-IPO funds).
- Bottom-up data suggests that the distribution of investments between initial and follow-on rounds was in-line with prior years.
- While non-traditional investors (pre-IPO funds, offshore investors and family offices) have slowed their rate of direct investment, local VCs remain active.
- Fund commitments vs capital deployed also suggests that there is sufficient dry powder to support the Australian ecosystem in the medium-term.

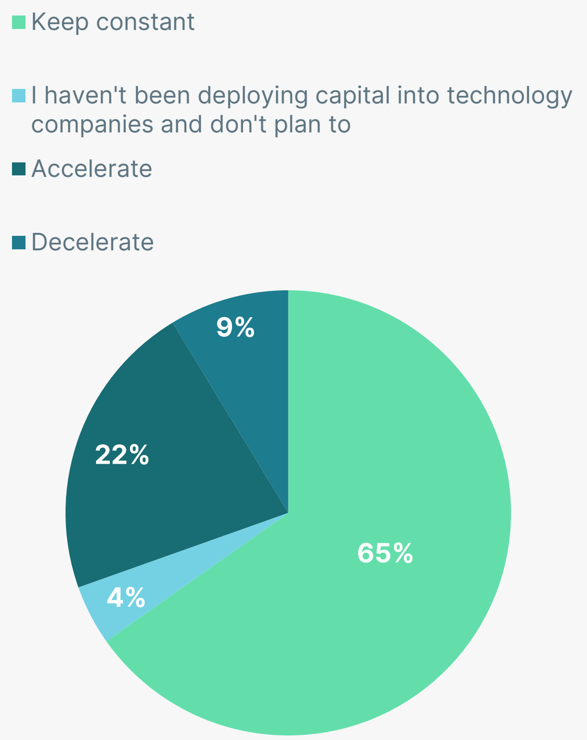
Platform
ADVISORY PARTNERS

Survey Results

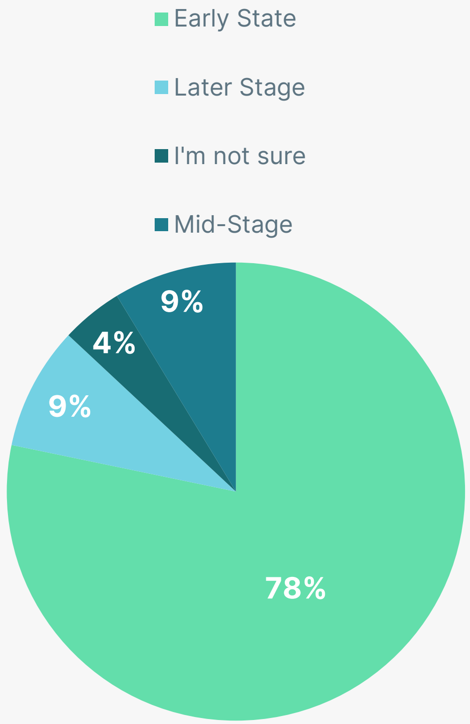
Survey Results

Platform
ADVISORY PARTNERS

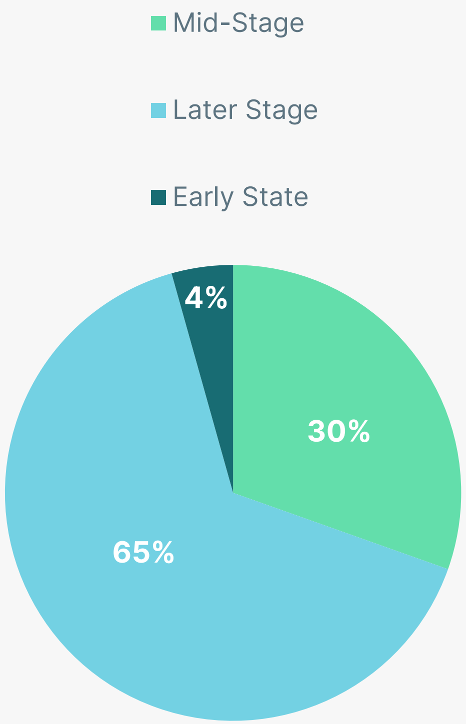
Are you planning to accelerate, decelerate or keep constant your deployment of capital in technology companies over the next 6 months?



Where do you think there is currently the MOST SUPPLY of capital for technology businesses?
(ie. most competition for deal-flow)



Where do you think there is currently the LEAST SUPPLY of capital for technology businesses?
(ie. least competition for deal-flow)



Platform Advisory Partners

www.platformadvisorypartners.com

If you have received this presentation and would like to be invited to our next market update, please let us know via this link

Level 3, 257 Collins Street
Melbourne, Victoria, 3000
AFSL Number: 494360

Thomas Petrakos
Director
+61 411 815 975
thomas@platformadvisorypartners.com

Paul Tontodonati
Director
+61 452 213 526
paul@platformadvisorypartners.com

Platform Advisory Partners are proudly 'Global Investors' of The Hunger Project