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October 2024

VC & Technology Capital Markets Update

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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

- 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

- All data for charts, unless otherwise stated, has been sourced from PitchBook and is in calendar year format and USD.
- Data is limited to the Information Technology industry classifications, and specifically excludes computer hardware and semiconductors. MedTech and consumer retail deal flow is also not included.

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

FRED
Undisclosed
Sale of business to Telstra

CartonCloud
$12,000,000
Series A capital raise

UPTICK
$47,500,000
Majority buyout of business to Accel-KKR

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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

Deployment into tech deals remains somewhat subdued

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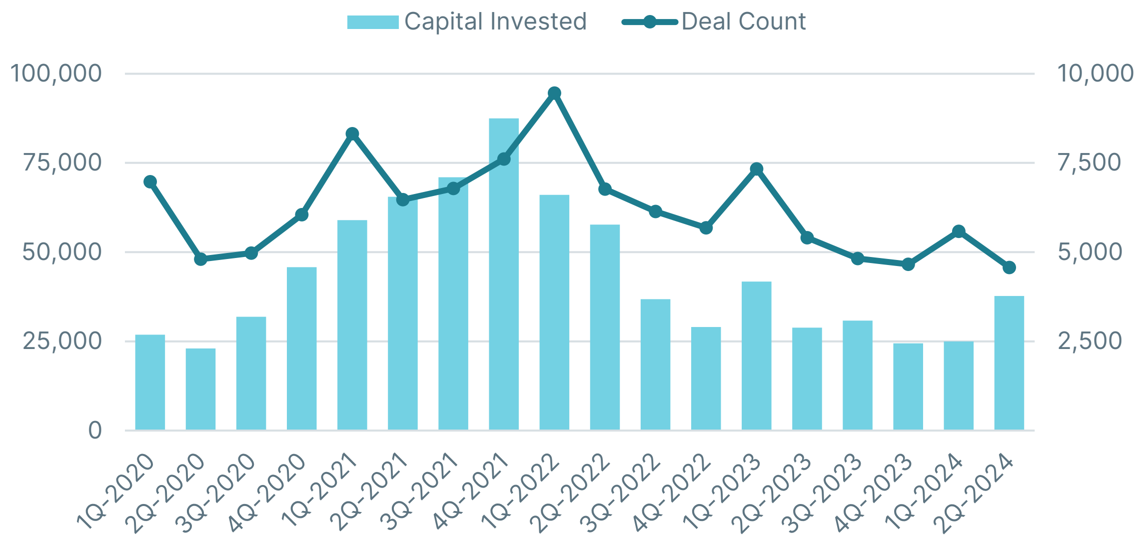
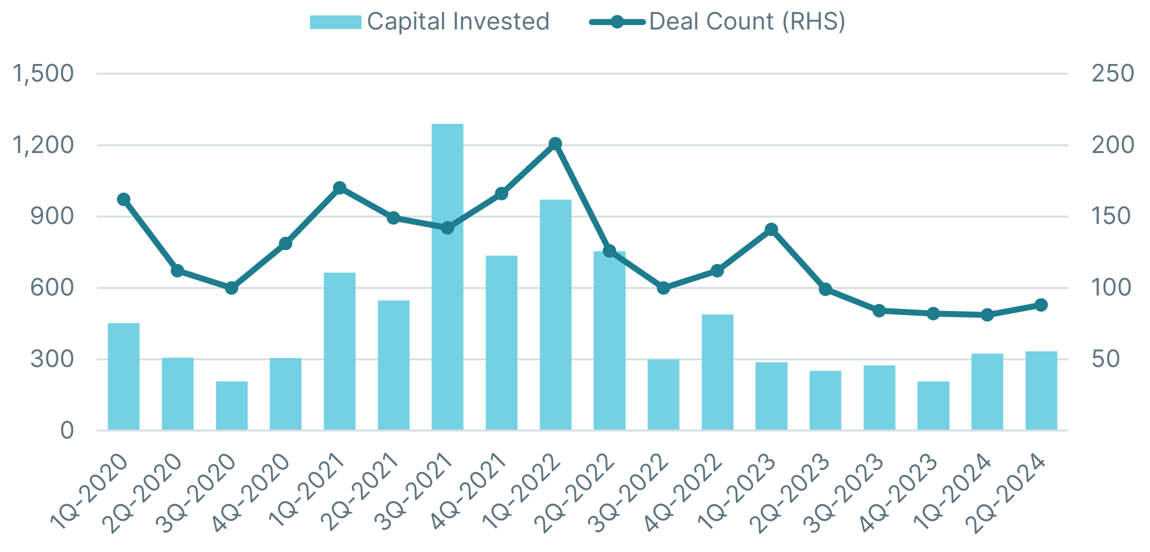
Volume and Quantum of Tech Co. Raises – Global ($m)



Source: PitchBook Data, Inc.

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



Source: PitchBook Data, Inc.

- 2Q-2024 has seen a slight decrease and continued downward trend of total technology raise count, coupled with an uptick in total capital deployed
- This increase in total capital invested is due to a larger number of significantly-sized raises occurring in recent months. These have included:
  - xAI raising a $6b Series B led by Valor Equity Partners, Sequoia, a16z and VR Ventures
  - CoreWeave raising a $1.1b Series C led by Coatue Management
  - Wayve raising a $1.05b Series C led by Nvidia

- Trends are similar locally overall, but with less emphasis on larger deals locally meaning total capital deployment has not experienced as significant an uptick as abroad
- Larger rounds across ANZ in the last 6 months have included:
  - GigaComm raising $100m, led by Macquarie
  - Deputy raising a $62m round, led by Xero and Express Services
  - Bridgit raising $15m from OIF, supported by $125m of debt financing

Deal counts are flat

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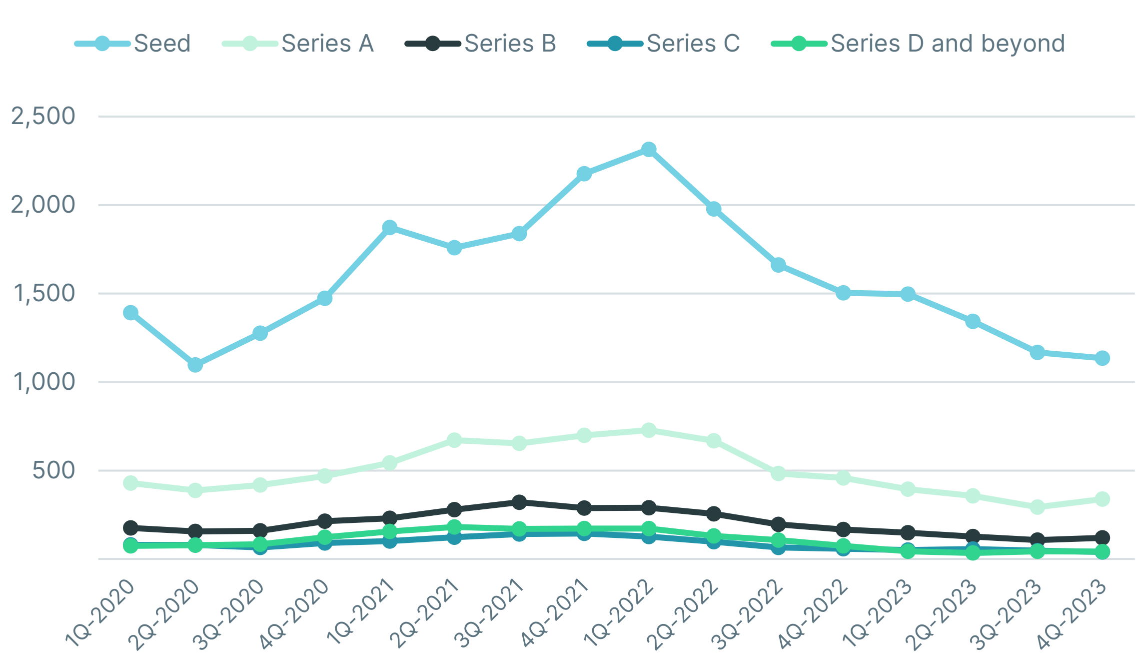
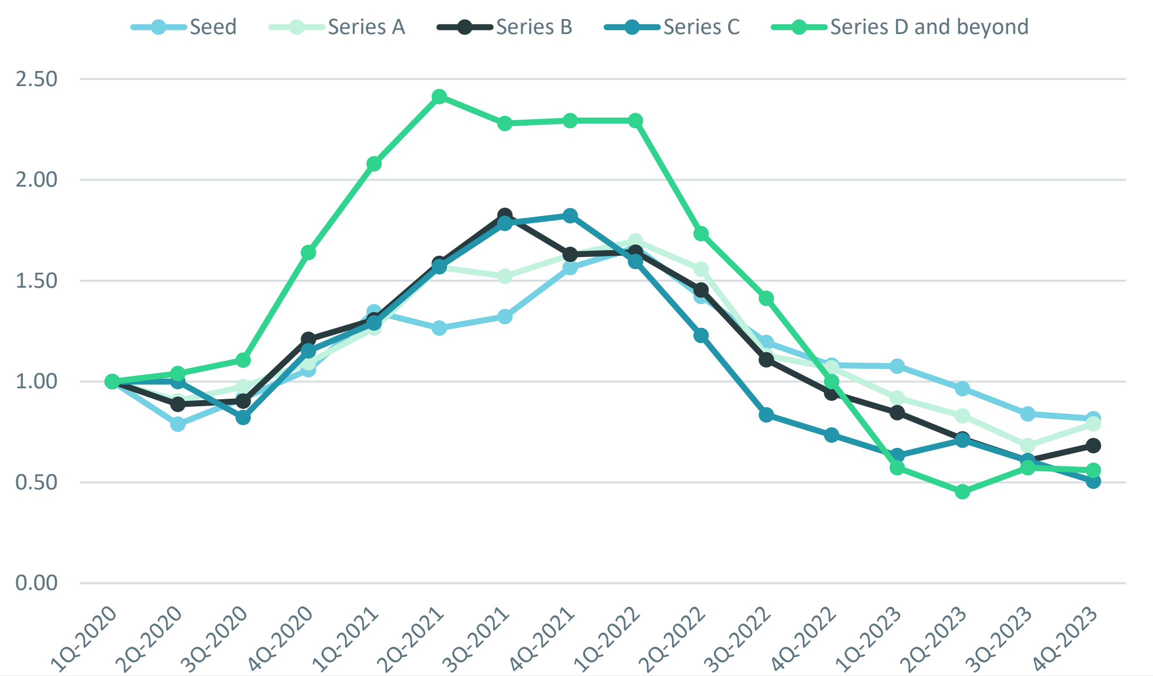
Total Deal Count by Stage – Global ($m)



Source: PitchBook Data, Inc.

Percentage Increase/Decrease of Deal Count by Stage – Global



Source: PitchBook Data, Inc.

- Seed deals have taken the largest hit, by virtue of their sheer volume
- While not illustrated here, Angel-stage deals represent an even greater percentage of all deals done, and they follow a similar trajectory

- As deal stages get later and fewer deals are being done, these deals have the largest upswings and downswings as markets shift
- Series D deal-counts are only at 56% of their pre-COVID volumes

VC portfolio companies raising less frequently

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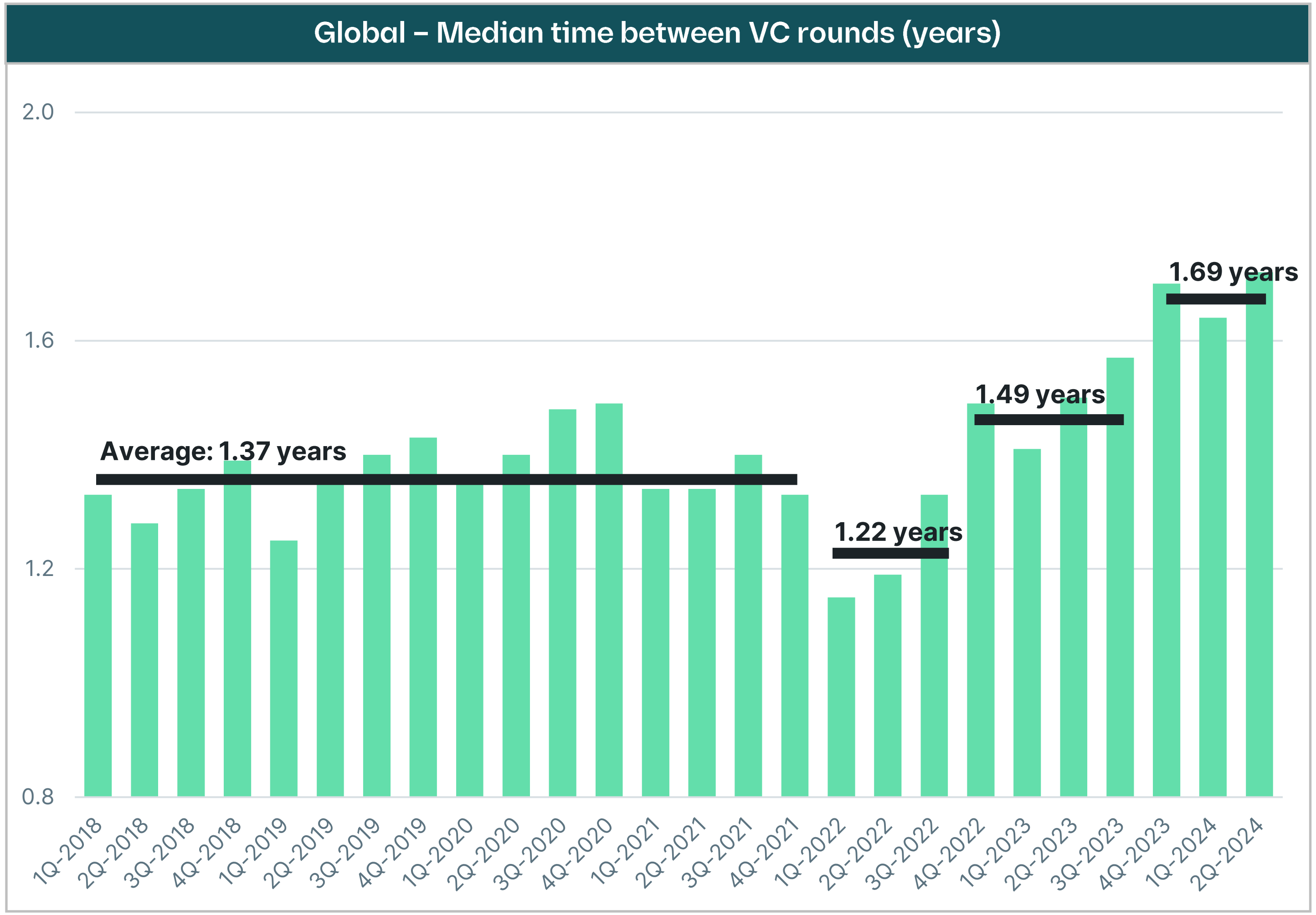

Source: PitchBook Data, Inc.

- It was widely publicised that VCs advised portfolio companies in 2022 to focus on capital efficiency rather than top-line growth at all costs
- This mindset appears to have continued and even strengthened over recent quarters

AI investment continues to heat up internationally

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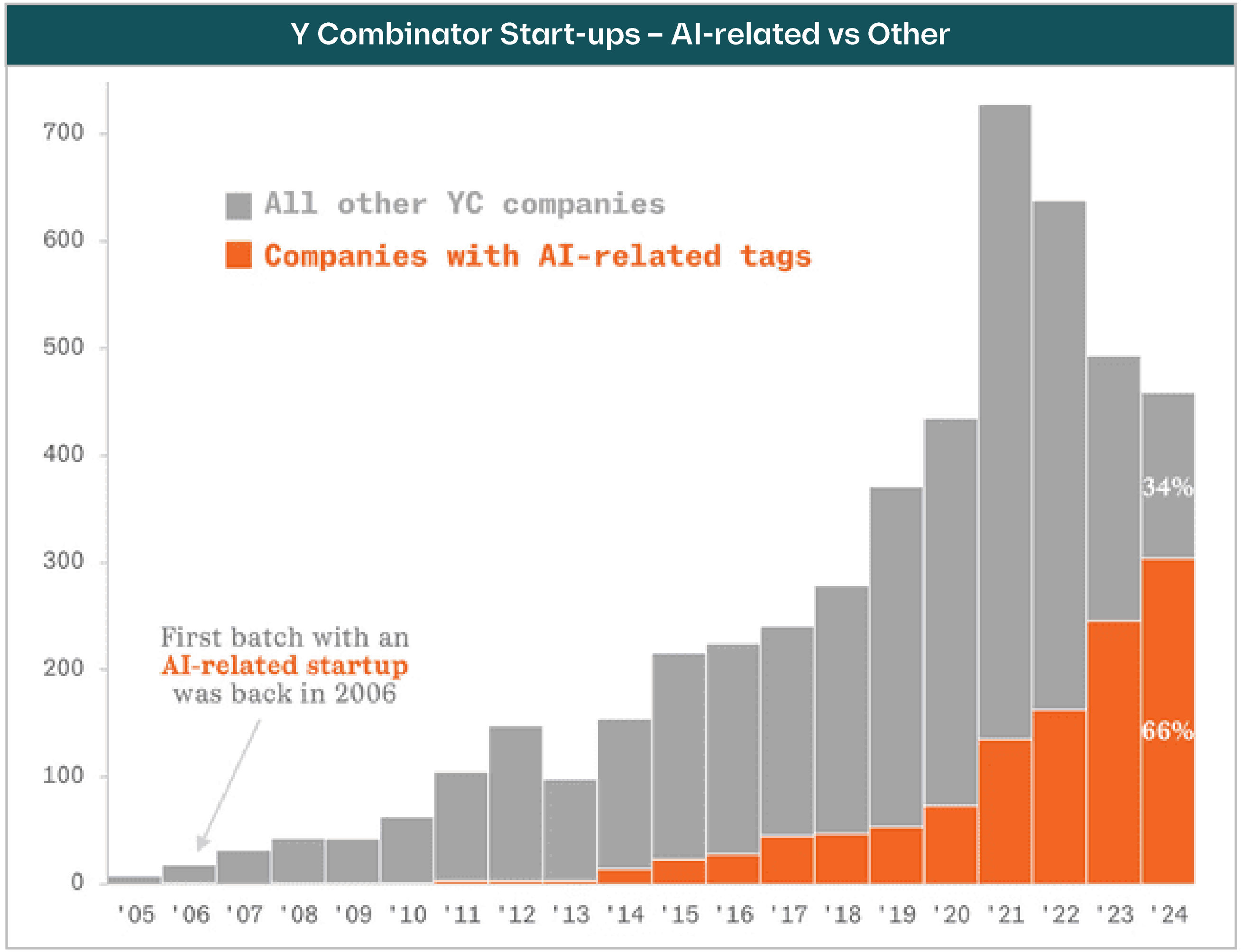

Source: Chartr

- We continue to hear daily about AI investment, and how this technology is being deployed across all types of organisations for varying purposes
- The number of startups in the space has exploded, now accounting for two-thirds of all YC companies

Blackbird has been ANZ's leading AI investor

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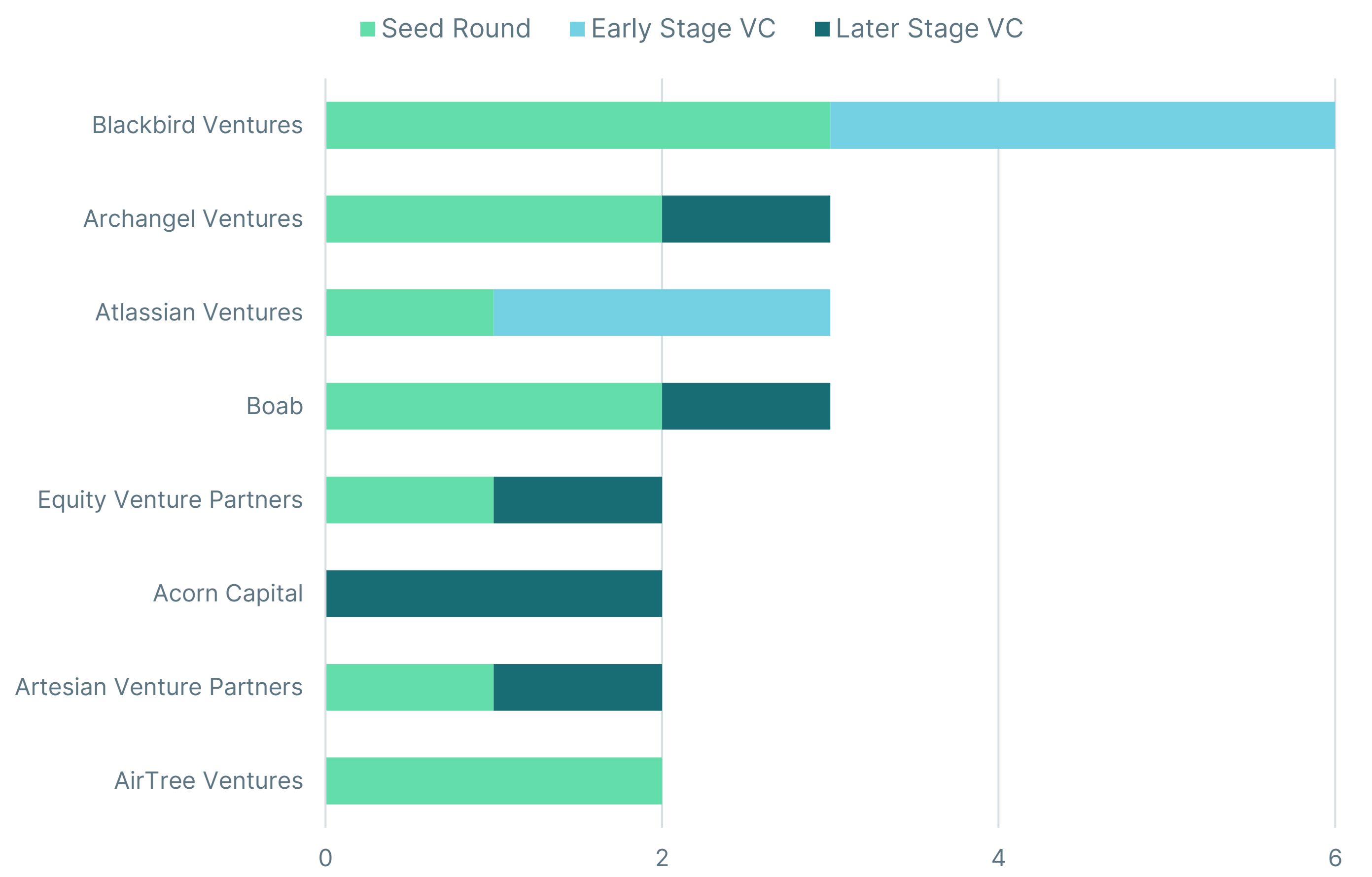
Count of AI & Machine Learning in Australia since Jan-2023 by Investor



Source: PitchBook Data, Inc.

- While the AI sector has attracted much fanfare and has seen large numbers of deals and plenty of capital invested overseas, it is more muted locally
- Blackbird is the only large VC in Australia making significant numbers of AI investments
- PitchBook data shows that less than 30 Australian investors had made more than one AI investment

Up rounds are down, down rounds are up

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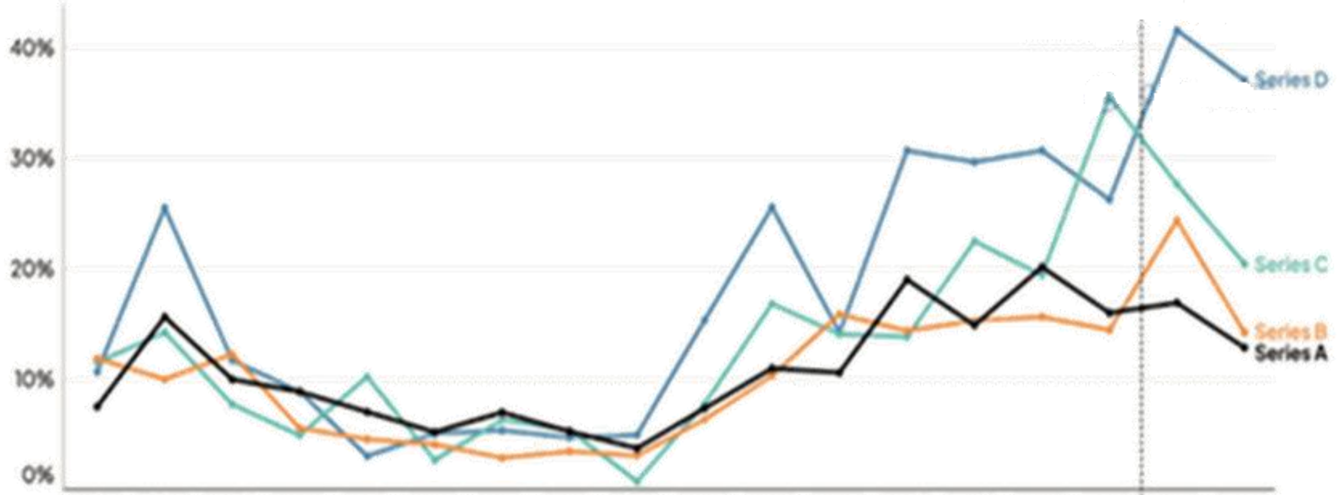
Count of AI & Machine Learning in Australia since Jan-2023 by Investor



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
Series A	8%	16%	10%	9%	7%	5%	7%	5%	4%	7%	11%	11%	19%	15%	20%	16%	17%	13%
Series B	12%	10%	12%	6%	5%	4%	3%	4%	3%	6%	10%	16%	14%	15%	16%	15%	24%	14%
Series C	12%	14%	8%	5%	10%	3%	6%	5%	1%	8%	17%	14%	14%	23%	19%	36%	28%	21%
Series D	11%	26%	12%	9%	3%	5%	5%	5%	5%	15%	26%	14%	31%	30%	31%	26%	42%	37%

Source: Carta

- Down rounds have been increasingly common across all stages since the start of 2022
- The contraction in the most recent quarter data suggests that the down-round peak may have passed
- Similarly to trends in deal counts by stage, the later stages are more volatile and experience more extreme swings

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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.

M&A deal volumes remain at multi-year lows

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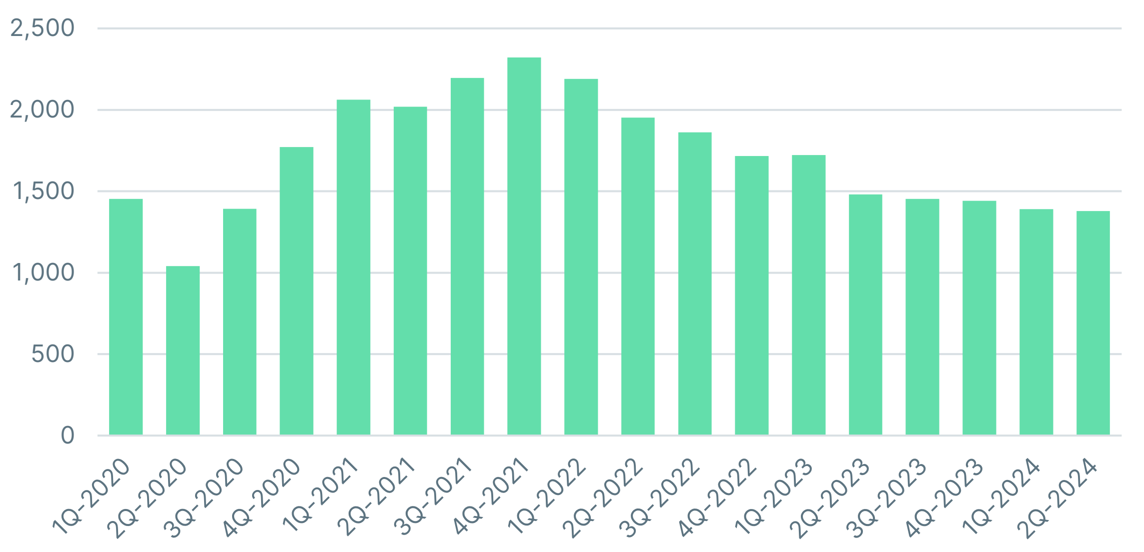
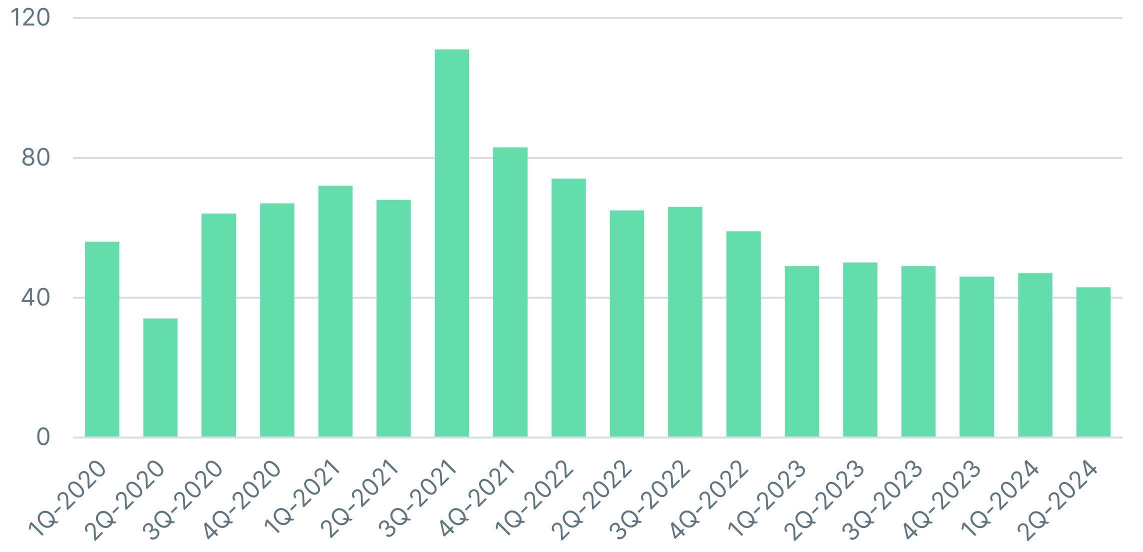
Total Technology M&A Deal Count – Global



Source: PitchBook Data, Inc.

- Global technology M&A deal volumes remain under pre-COVID levels at 2018 and 2019 levels (~1,300-1,400 per quarter).
- An emerging area of tech deal flow is around AI, with the global value of AI deals announced Jan to Aug 2024 at $53.7B across 1,1014 deals. Cyber has also been a big thematic, with 129 deals announced at a value of $13.0B.

Total Technology M&A Deal Count – ANZ



Source: PitchBook Data, Inc.

- ANZ deal count is trending in line with global numbers, also similar to 2018/19 levels of ~45 per quarter.
- Prominent ANZ tech deals include A$9.1 billion acquisition of Altium Limited by Japan's Renasas Electronics, the A$310 acquisition of TASK Group by NYSE listed PAR Technology as well as the A$236 million acquisition of Ansarada by Datasite.

Bigger deals at higher valuation multiples

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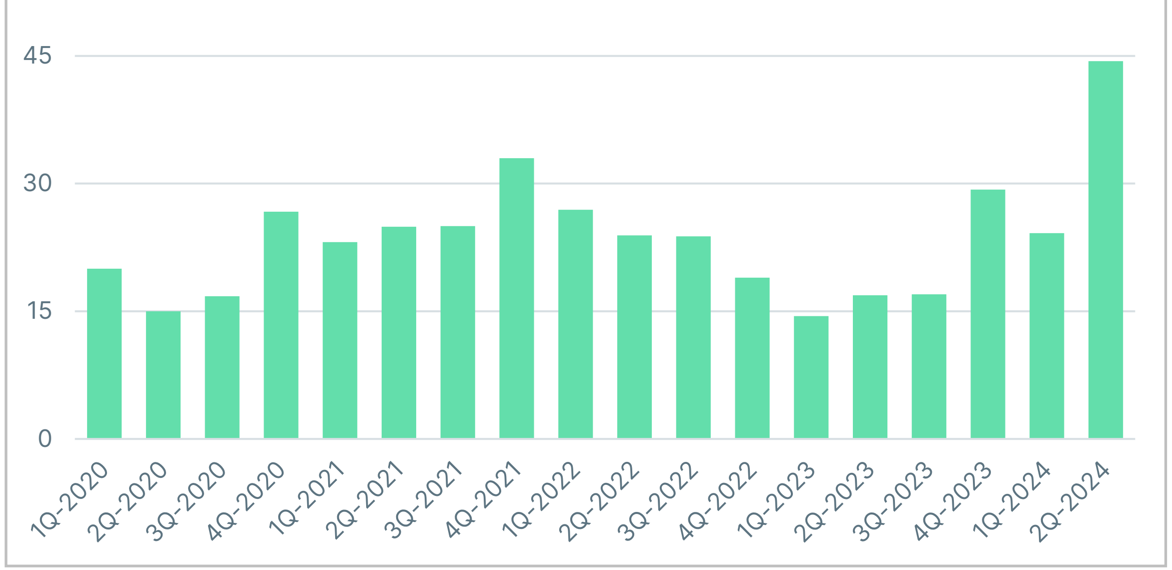
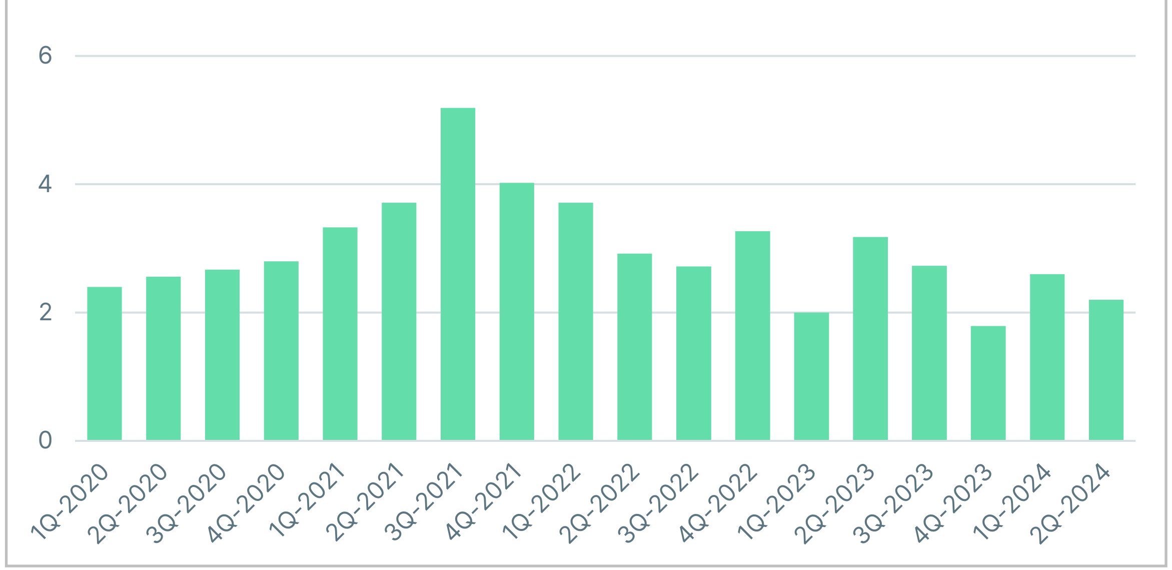
Median Technology M&A Deal Size – Global ($m)



Source: PitchBook Data, Inc.

- Significant increase in deal size seen in 2Q 2024, with increased confidence in corporates to make transformative acquisitions, as seen by mega deals such as the acquisition of Model N by Vista Equity Partners for $1.25B,Neo Games by Aristocrat for $2.2B and Beta Simulator Solutions by Cadence Designs for $1.24B.

Median EV/Revenue M&A Deal Valuation – Global



Source: PitchBook Data, Inc.

- Despite the tick up in deal size in 2Q 2024, EV / revenue multiple has come back from 1Q 2024 to 2.15x
- Just over 30% of deals were under 1x EV / revenue in 2Q 2024 compared to just 19% at the 3Q 2021 peak, suggesting that despite deal size increasing, there is some potential stress in the market.

Cash strapped unicorns see wings clipped

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Valuation step-up on acquisition from last round

Source: Pitchbook, 14 September 2024

- Acquisitions of unicorn companies are increasingly being done at depressed valuations and at a step-down from prior funding round
- The step-up has dramatically fallen, to now being under 1x (ie at a valuation less than the prior round), with the median deal being at 0.56x last round in 2024 to date as compared to 1.46x in 2021.

IPO markets remain muted

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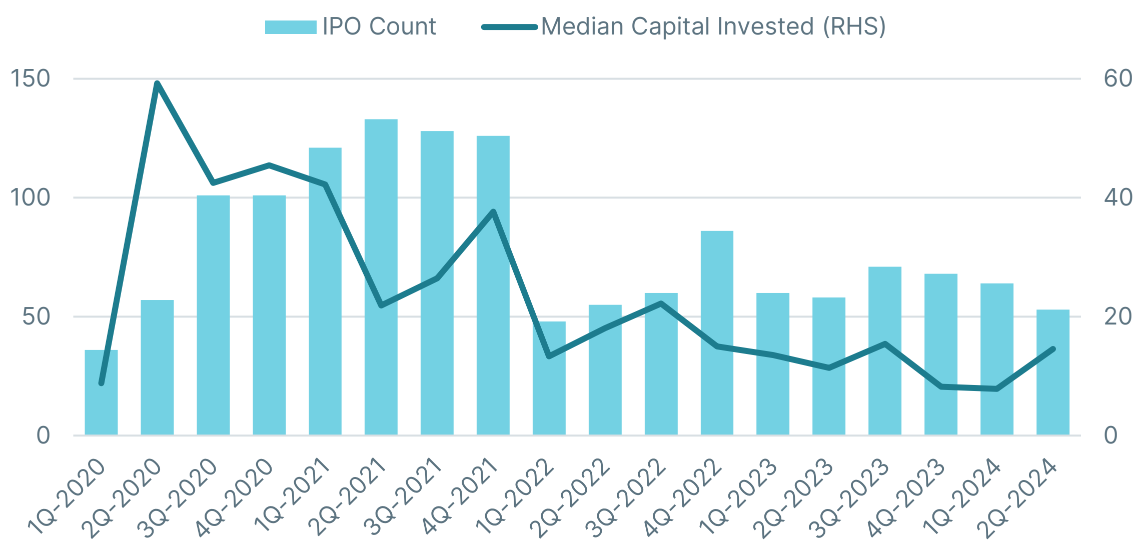
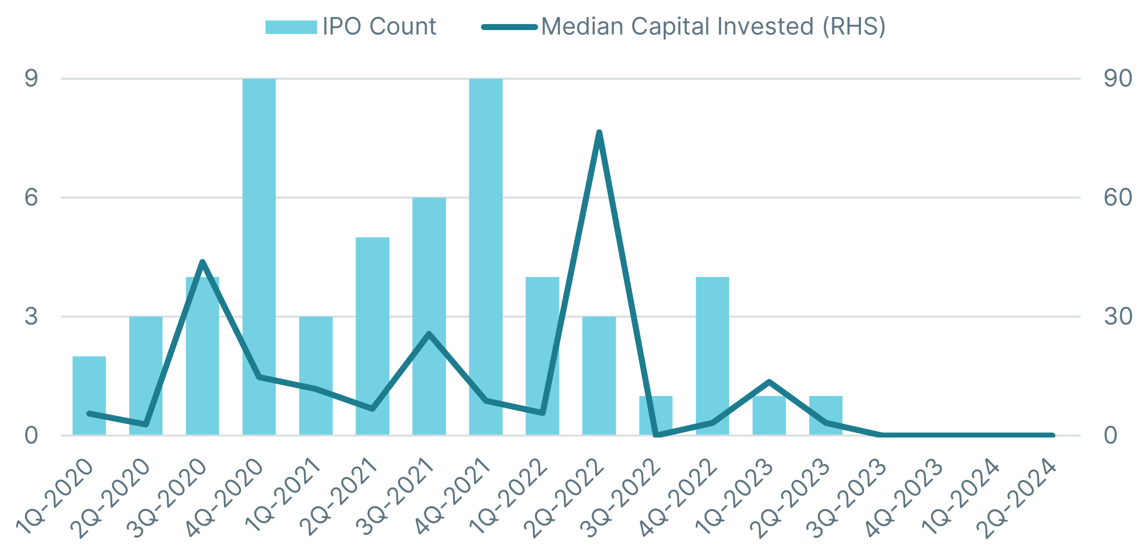
IPO Deal Count & Median Capital Invested – Global ($m)



Source: PitchBook Data, Inc.

- The IPO drought across tech persists with just 117 IPOs ($8.5B raised) 1H24 as compared to the peak of 254 ($60B raised) in 1H21 but up from the floor of 103 ($6.9B raised) in 1H22.
- Pre-money valuations of IPO companies was at $497m in 1H24, similar to 1H22 of $530m but well under $2.6B in 1H21.
- The lack of IPO exits continues to contribute to a lack of capital a liquidity crunch in the venture ecosystem, and many are hoping for an IPO comeback in 2024 to relieve pressure.

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



Source: PitchBook Data, Inc.

- The 'IPO window' for ANZ technology companies remains closed, with no deal activity from 3Q 2023 onwards.
- All eyes will be on Cuscal yet again, who recently announced they are looking to list on the ASX after last year's failed attempt, at a fixed price of $2.50 per share (prior price at $2.50 - $2.60 per share).

Focus on VC exits over the coming years

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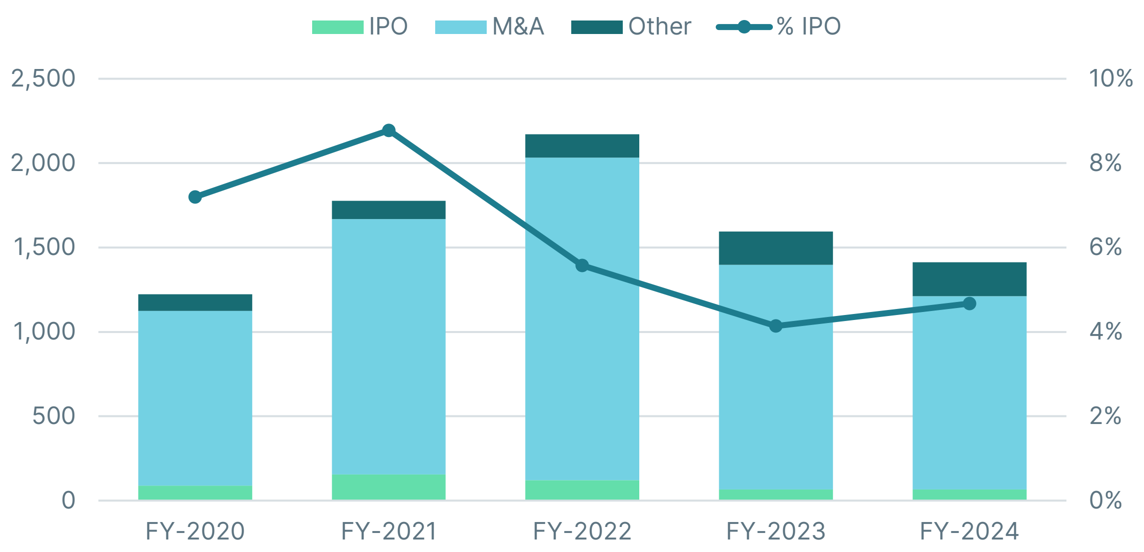
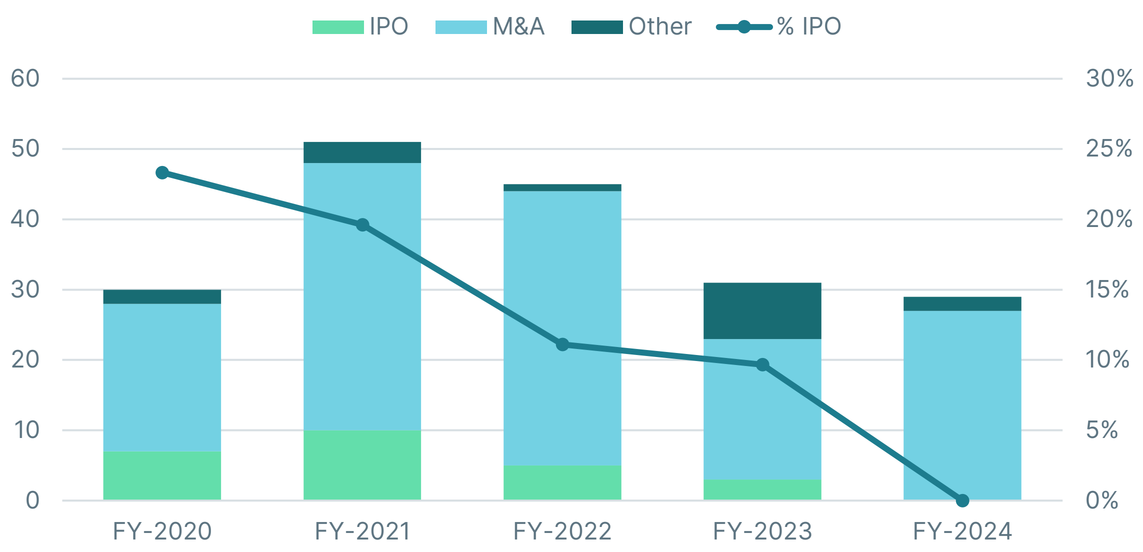
VC Exits - Global



Source: PitchBook Data, Inc.

VC Exits - ANZ



Source: PitchBook Data, Inc.

- VC exits globally have come back from their highs of 2021 where the pace of M&A deal activity was frenetic.
- FY 2024 is looking broadly in line with FY 2023, with in fact a higher percentage coming from IPOs from last year.
- Given the commencement of monetary easing in the US and Europe, we can expect IPO percentages to tick up in 2025.

- Exit via IPO has been non-existent over the past 12 months, with M&A being the predominate mode of exit
- Other exits (recapitalisations, bankruptcies etc) has decreased in FY24, signalling that necessary changes to cash burn and org structure have been made to allow groups to continue in a more sustainable fashion.

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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

Nth American listed SaaS valuations have stabilised

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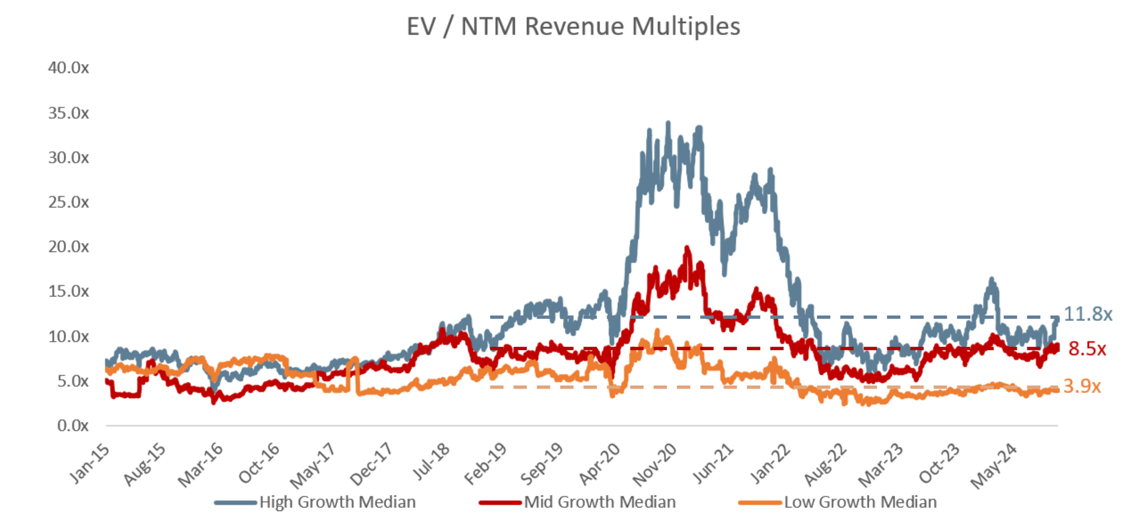
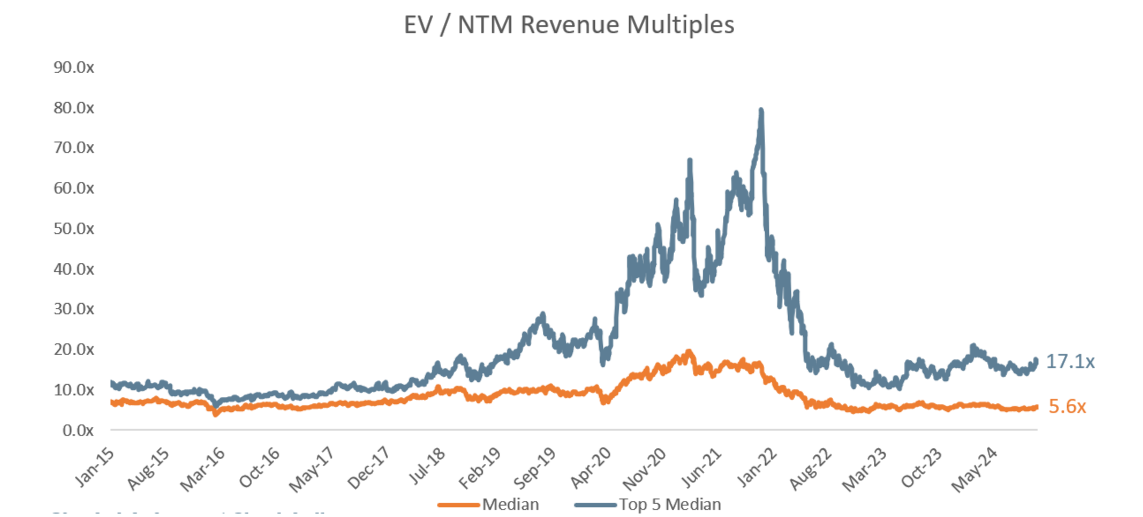
EV / NTM Revenue Multiples (by growth cohort)



Source: Clouded Judgment blog, Jamin Ball – 19/10/24

EV / NTM Revenue Multiples (Top 5 vs median)



Source: Clouded Judgment blog, Jamin Ball – 19/10/24

- Graphics are taken from Jamin Ball's Clouded Judgement weekly newsletter that tracks SaaS trends and 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 have recovered and stabilized from lows. While the mid-Growth and high-Growth cohorts are inline with the period immediately pre-COVID, the low-growth cohort multiple remains lower than generally seen post 2017.

- The gap between the Top 5 and the overall SaaS median has returned to levels seen immediately prior to COVID.
- The top five currently (by EV to NTM Revenue) are Palantir (31.1x), Samsara (20.1x), CrowdStrike (17.3x), Cloudflare (16.8x), Service Now (16.0x)
  - None of which are anticipating revenue growth of greater than 26%
- The overall median of 5.6x remains 28% below the pre-COVID average of 7.8x, a clear sign that the market has far from fully recovered

SaaS growth has continued to decline

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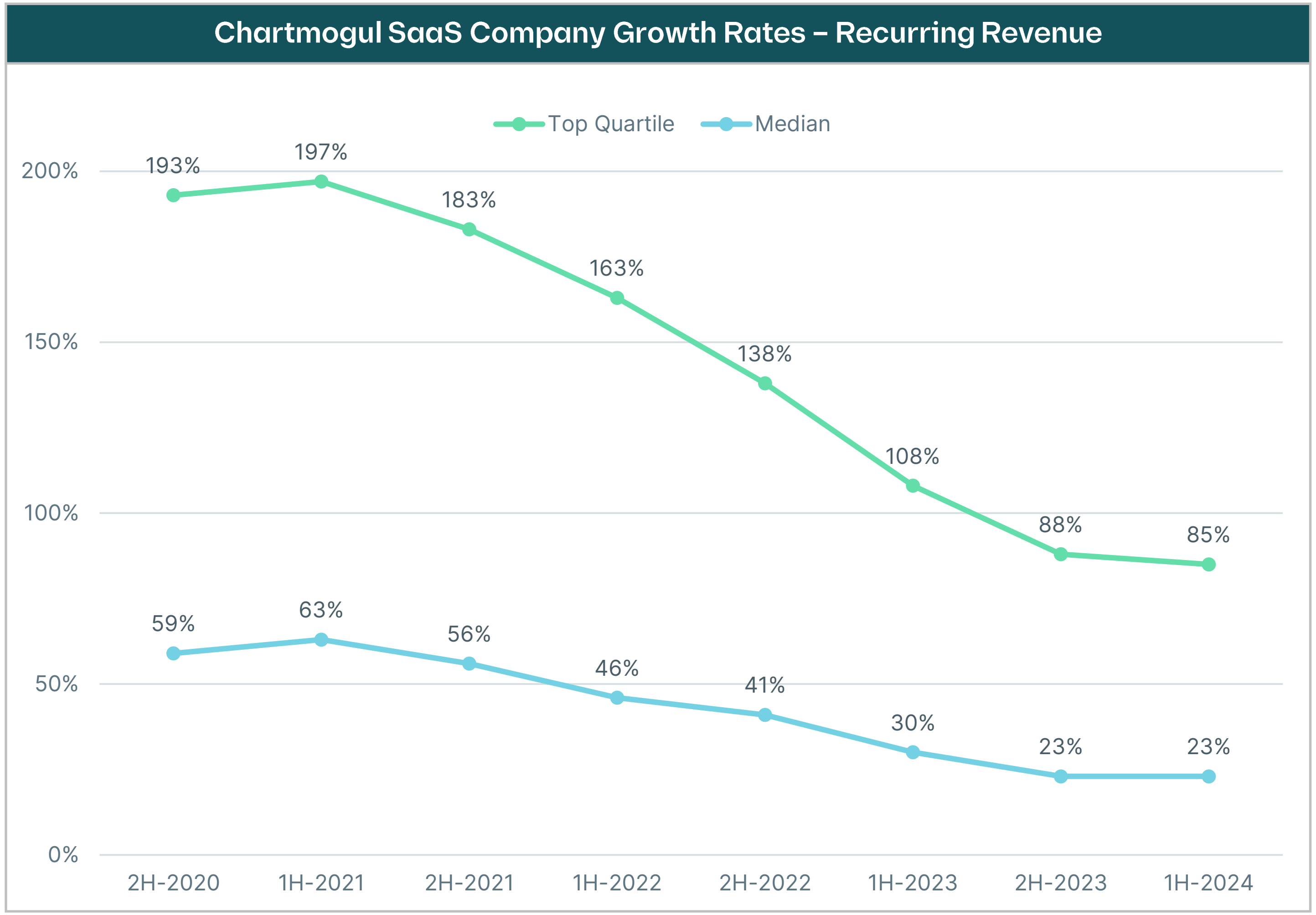

Source: Chartmogul March 2024 Benchmarks

- Economic uncertainty is driving IT budget cuts and spending caution, while some companies realize they over-purchased software during the COVID induced rush to remote work and cloud software.
- Product differentiation is becoming harder in what is increasing perceived as a saturated marketplace.
- Longer sales cycles are being evidence as companies optimize existing tools. Investment attention is also increasingly shifting towards AI-enhanced alternatives over traditional SaaS.

Listed tech vals are below bubble levels and notable AI firms

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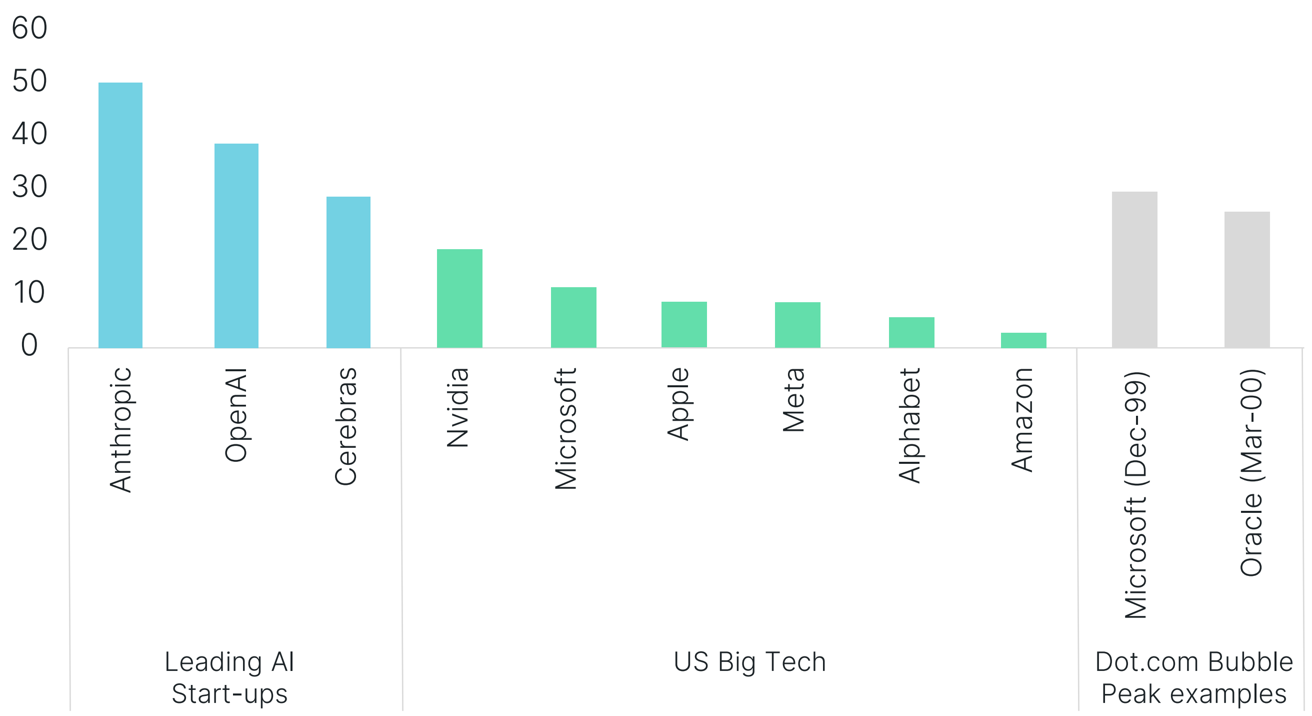
Price to Sales ratios for big-tech companies compared to the dot.com bubble levels



- Big-tech (in this case Magnificent 7 less Tesla) price to sales multiples are modest compared to the dot.com bubble
- Private market investors are valuing leading AI start-ups on sales multiples that exceed dot.com era peaks

Source: DB research

Tech is absolutely dominating fund flows.

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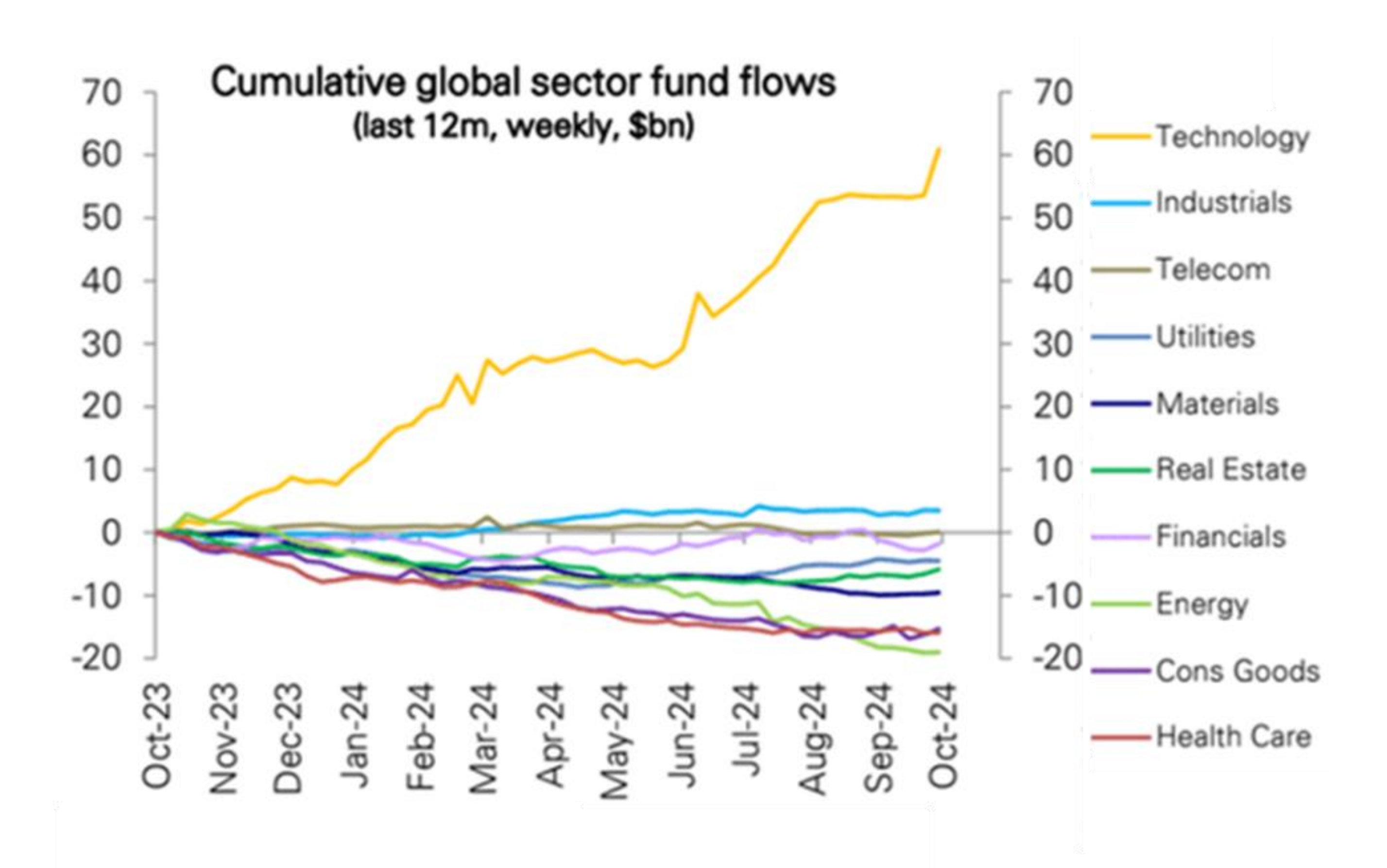
Includes publicly trackable investment vehicles incl ETFs, pension funds & mutual funds



Source: DB research

- Pace and consistency of flow into tech over the last 12 months is remarkable
- Industrials is the only other sector attracting positive fund flows (albeit marginal)

While some flourish, it can be brutal for others

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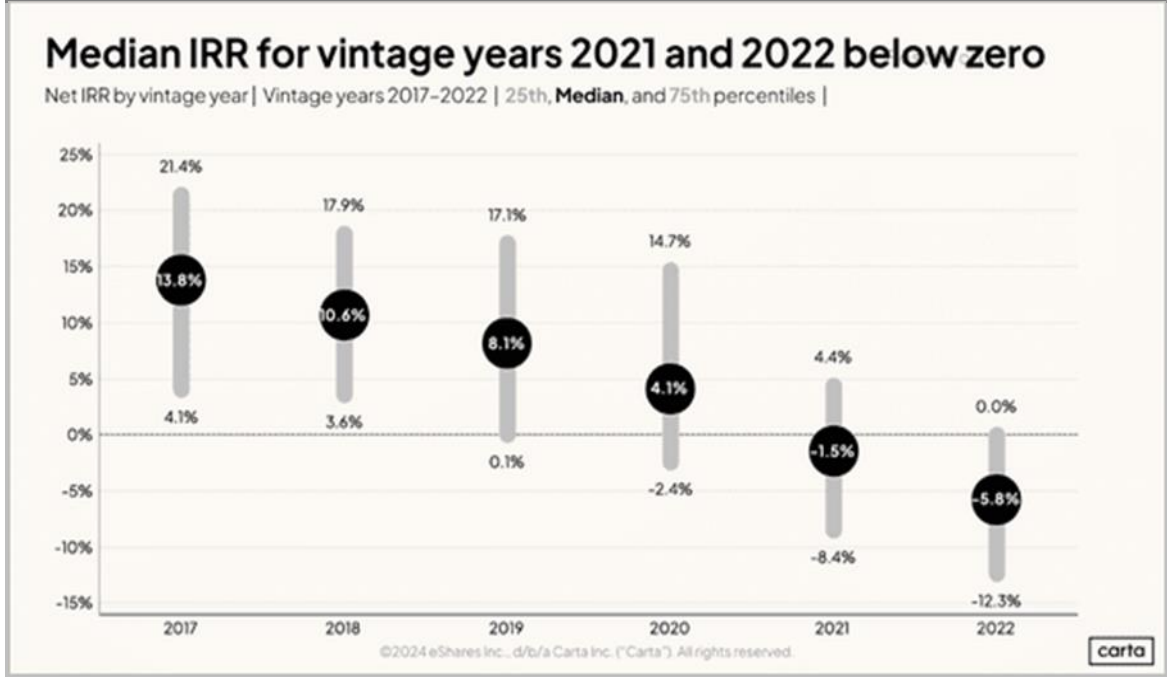
Annual failure rate of start-ups (US)

Median IRR vintages from 2017 to 2022



- While companies going into voluntary administration grab the headlines, many face disappointing exits, or become acqui-hires for competitors
- Figures shown on failure rates likely significant unrepresented actual shutdowns, as many fail without media or public announcements.

- 75% percentile returns for 2022 VC vintages is 0%, demonstrating the challenges faced by start-up ecosystem
- Median performance and 25% percentile performance, suggests a hard journey to achieve target IRR returns for these funds and their investors
- Anecdotal evidence suggests that we are currently in a challenging time for VC fund raising, and the backdrop of recent fund vintage performance is likely to make the environment even more difficult

ESVCLP new fund commitments have dried up

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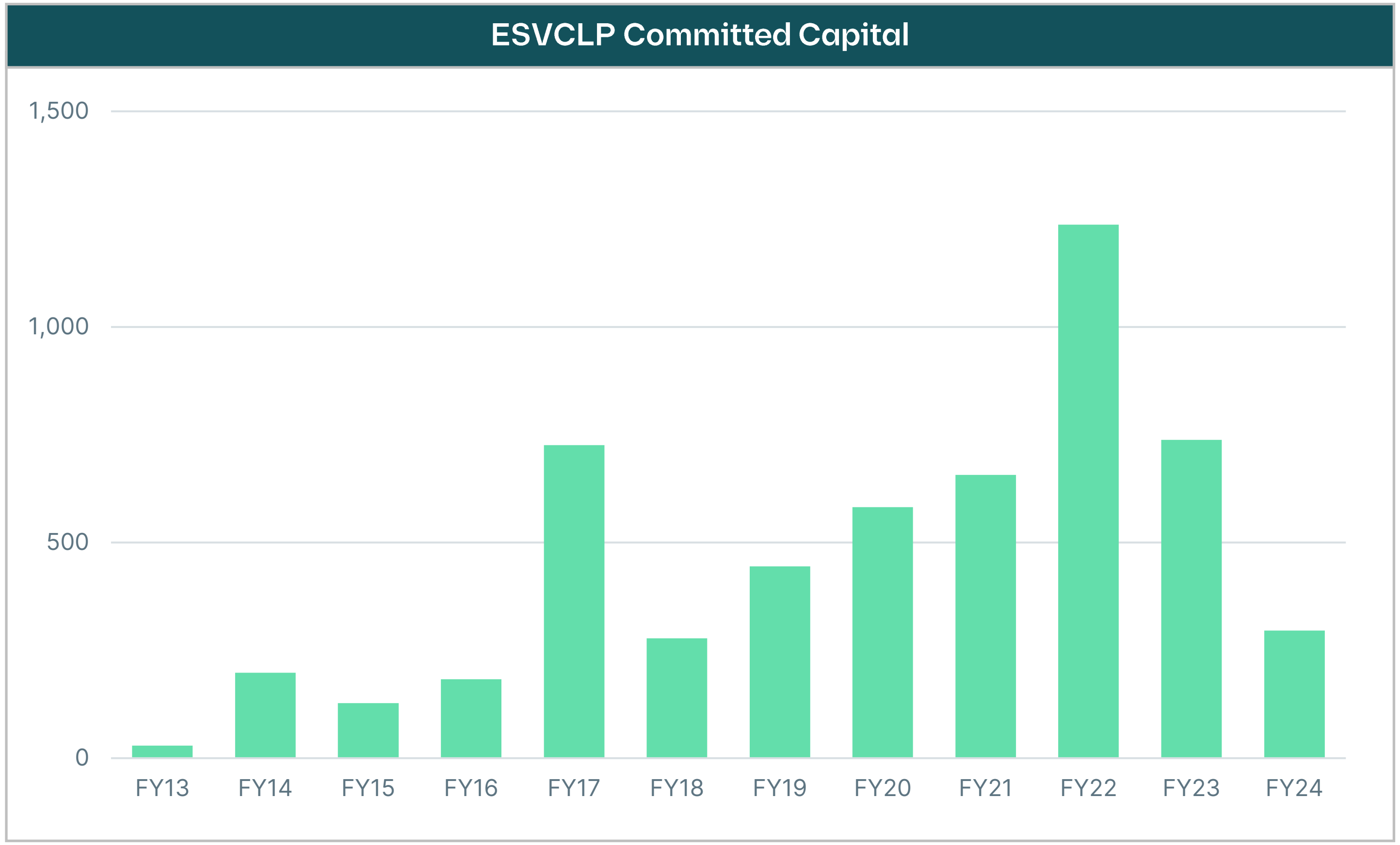

Source: AusIndustry Venture Capital Dashboard

- Fund commitments for FY24 show a significant decline compared to recent periods
- Blackbird, Airtree and Square Peg last raised funds in 2022, after raising almost annually prior to that
- Of the Big 3, only Square Peg has tested the market since 2022, with a new fund raising launched early September

ASX companies hitting Rule of 40 get double the multiple

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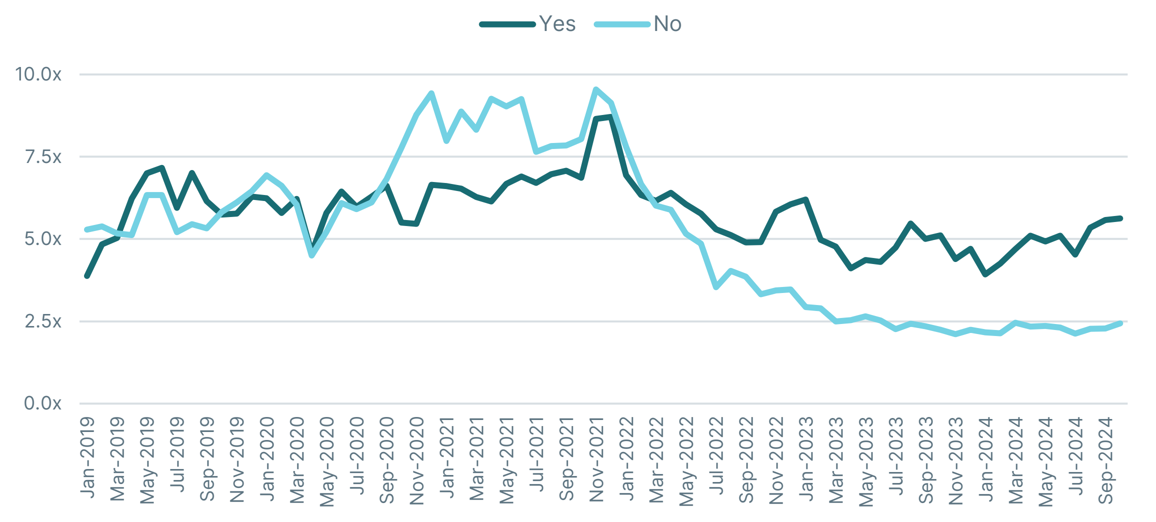
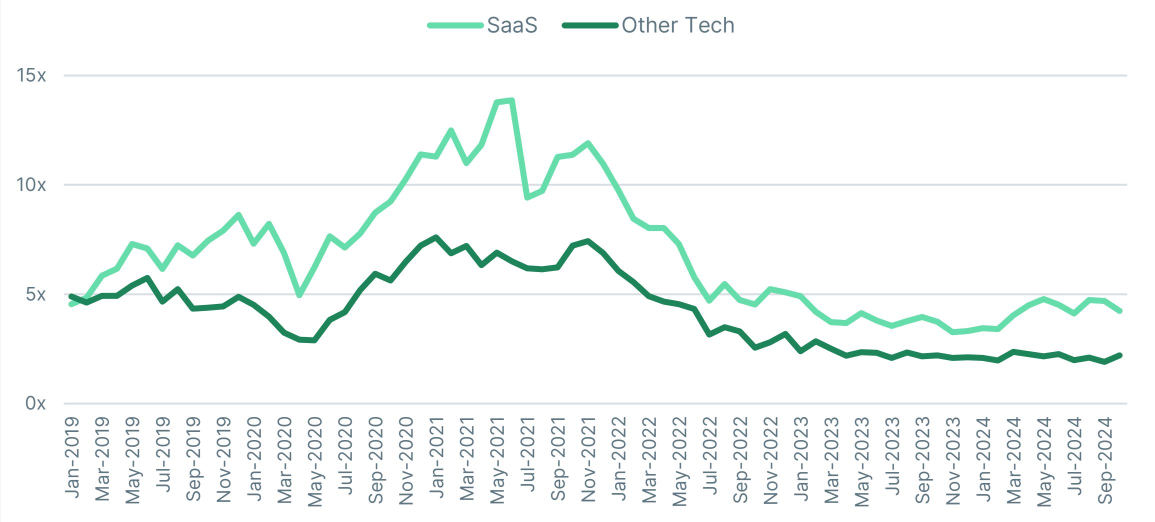
Median EV/Revenue Multiple – SaaS Rule of 40



Source: PitchBook Data, Inc.

Median EV/Revenue Multiple – SaaS



Source: PitchBook Data, Inc.

- Rule of 40 refers to SaaS companies that have a revenue growth rate PLUS an EBITDA margin (or free cash flow margin) exceeding 40%
- Between 2020 and 2021 growth was the absolute priority
- Since 2022, there has been a growing divergence between those companies that meet the Rule of 40 (and strike a balance between sustainable growth and profitability) vs those that do not

- Historically there has been a significant premium associated SaaS companies vs non-SaaS peers, due to their perceived higher quality revenue streams
- Both SaaS and Other Tech revenue multiples are well below COVID period high-watermarks.
- Fintech companies have been excluded from the above analysis

Listed markets are prepared to pay for best performers

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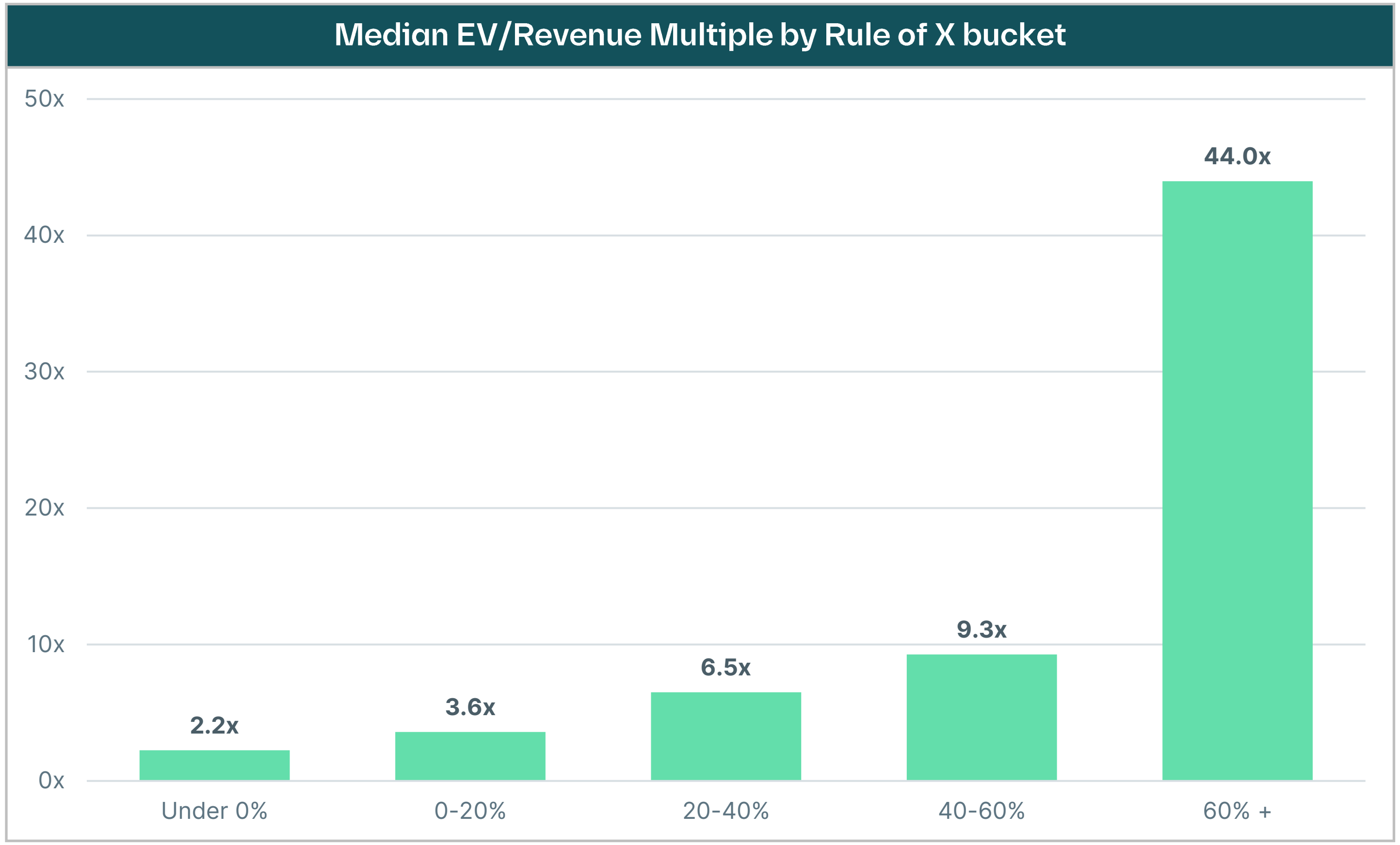

Source: PitchBook Data, Inc..

- The ASX is advocating that companies list on the local bourse based on perceived strong valuation support
- While listed investors are clearly prepared to pay high multiples for the best performers, there is relatively little support for the majority of technology companies that fall below the Rule of 40.

Strong support for high-growth & profitable SaaS firms

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EV / Revenue multiples by Growth & Profitability Bucket (SaaS only)

	<20% revenue growth	≥20% revenue growth
≥0% EBIT margin	**Low growth, Profitable** *Median EV / Revenue ~3.7x* RPMGLOBAL, HUB24, iress, Reckon, bravura solutions, Objective, energyone, INFOMEDIA, technologyone, readytech	**High Growth, Profitable** *Median EV / Revenue ~14.6x* pro medicus (OUR SUPPORT. YOUR SUCCESS.), xero, wisetech global, Dropsuite
<0% EBIT margin	**Low growth, Pre-Profit** *Median EV / Revenue ~2.1x* envirosuite, Bigtincan, appen, MACH7, ALCIDION, nuix, Pointerra, wrkr, urbanise, acusensus, PROPHECY, VISTA GROUP	**High growth, Pre-Profit** *Median EV / Revenue ~6.5x* dubber, Qoria, felix, SiteMinder, serko, Life360, CHRYSOS CORPORATION

- There has been a recalibration back to a growth agenda, with high-growth/pre-profit once again valued more than low-growth/profitable
- Slow growth and unprofitable business have seen only modest multiple recovery and on-going valuation support for future equity raisings will be challenging for those not hitting targets

Acquired since last update

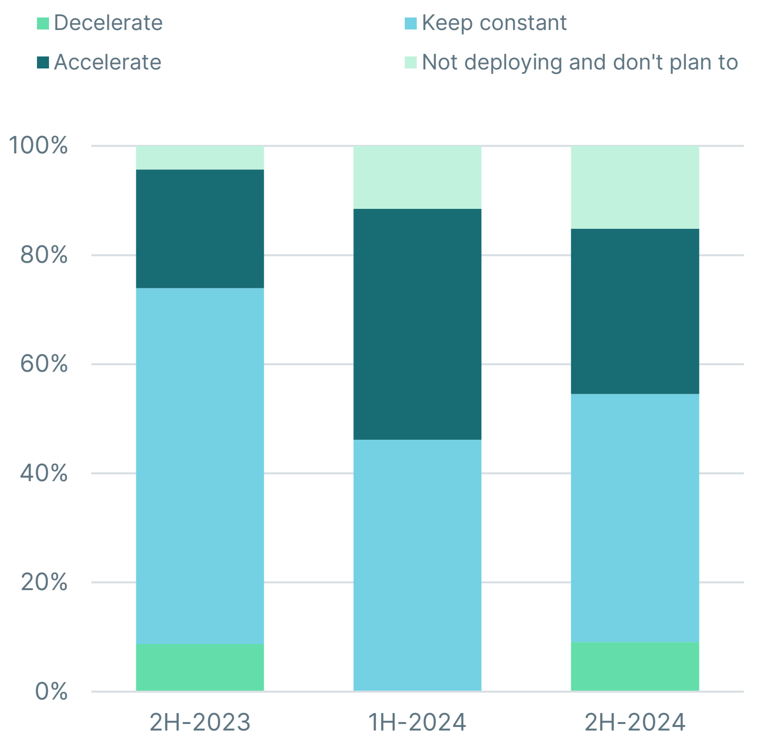
Altium, LINKGroup, ANSARADA, whispir.

Source: PitchBook Data, Inc. based on FY24 (or most recent LTM captured by Pitchbook)

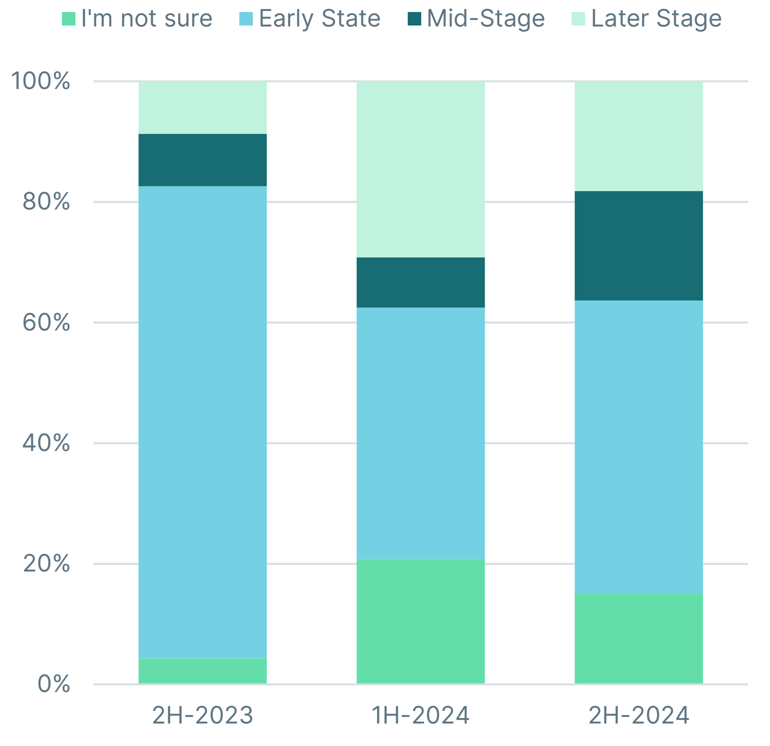
Survey results

Survey Results

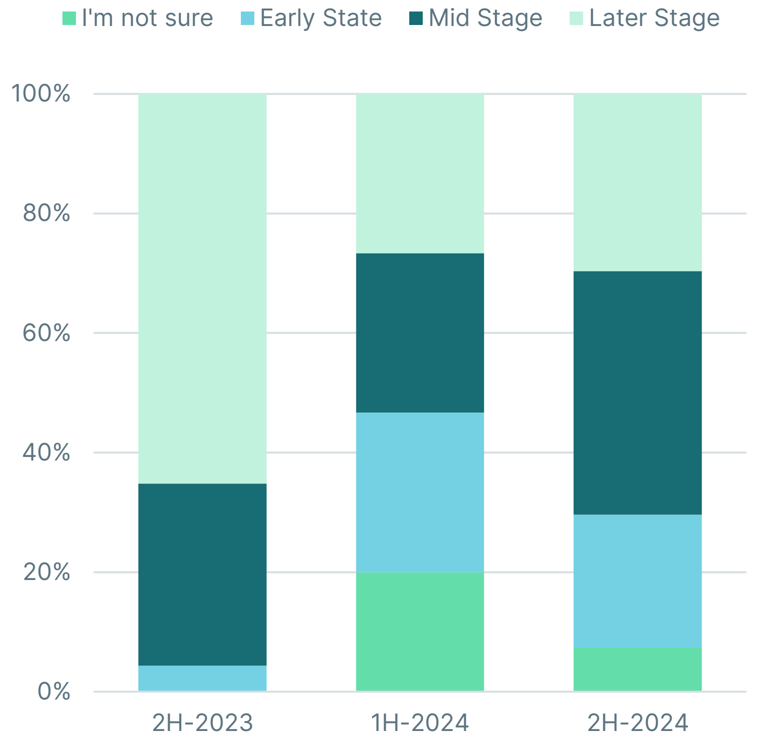
Are you planning to accelerate, decelerate or keep constant your deployment of capital in technology companies over the next 6 months?



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



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



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