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March 2024

VC & Technology Capital Markets Update

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

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

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

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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

Capital deployment into tech deals remains subdued

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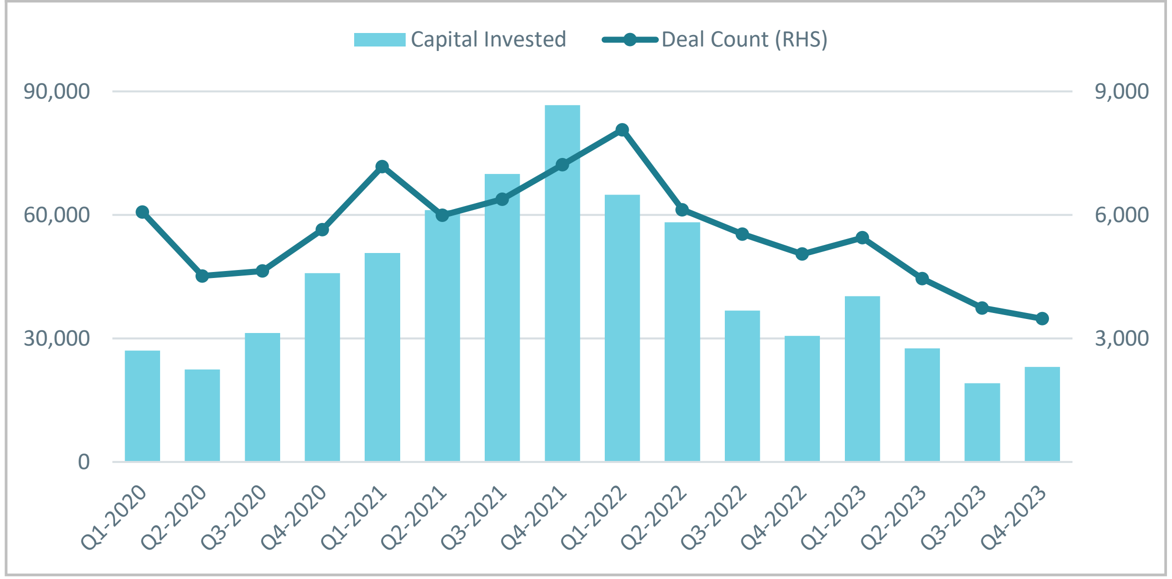
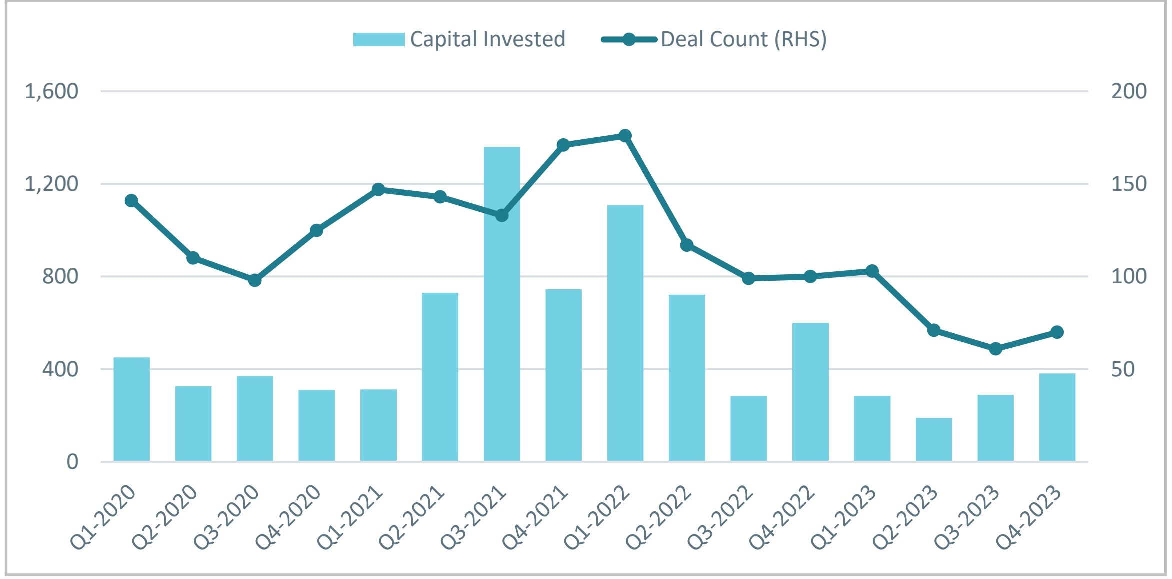
Volume and Quantum of Tech Co. Raises – Global ($m)



Source: PitchBook Data, Inc.

- 4Q-2023 saw a continued decrease in global deal count whilst aggregate capital invested increased from the bottom of cycle lows in 3Q-2023
- The global market is still seeing some significant raises, led by Metropolis raising a US$1.7b Series C for its acquisition of SP Plus, Databricks raising US$685m from Nvidia and T. Rowe Price, and Mistral AI raising $433m from Microsoft in this past quarter alone

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



Source: PitchBook Data, Inc.

- Excluding Employment Hero's A$263m raise, the ANZ capital invested remains at bottom of cycle lows, though deal count shows signs of stabilising
- ESVCLP data to Dec-23 indicates more stability with approximately 140 investments being done per quarter - consistent over the past two years. Levels of dollars invested has also remained steady.
- Mix of follow-on to new investments by count continues to remain at approx. 50/50, as it has been for quite some time.

Seed rounds grow, while mid/late-stage deals are smaller

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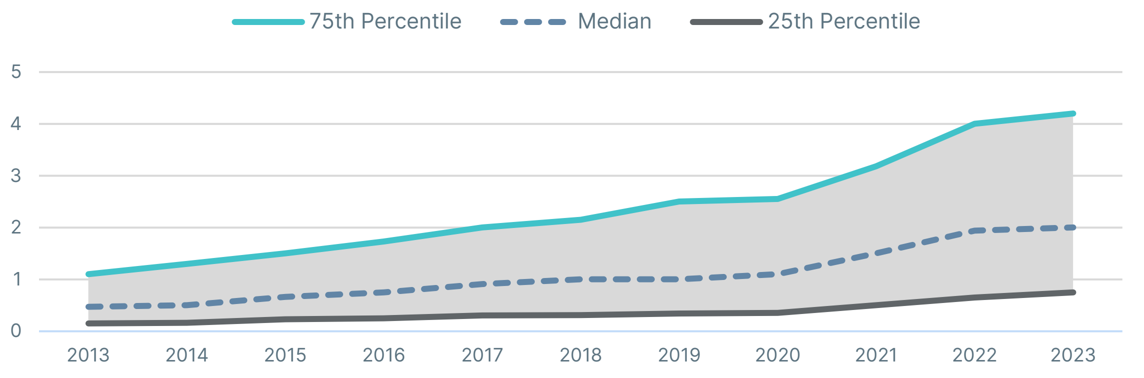
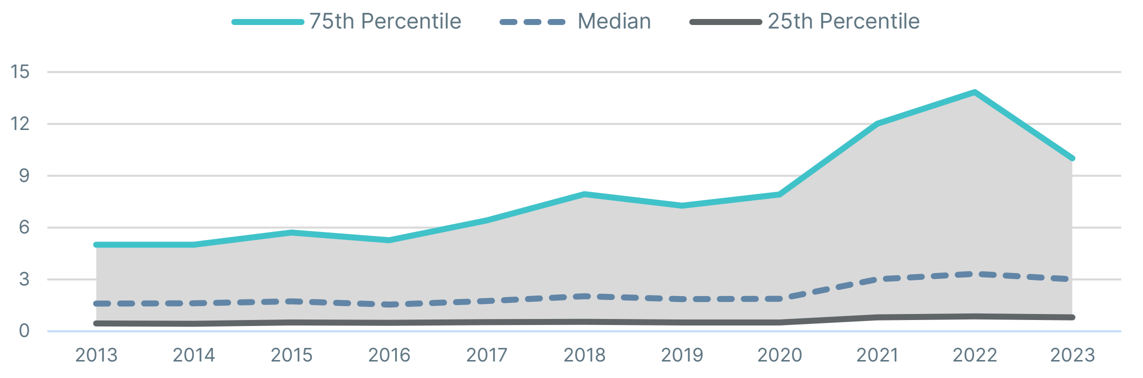
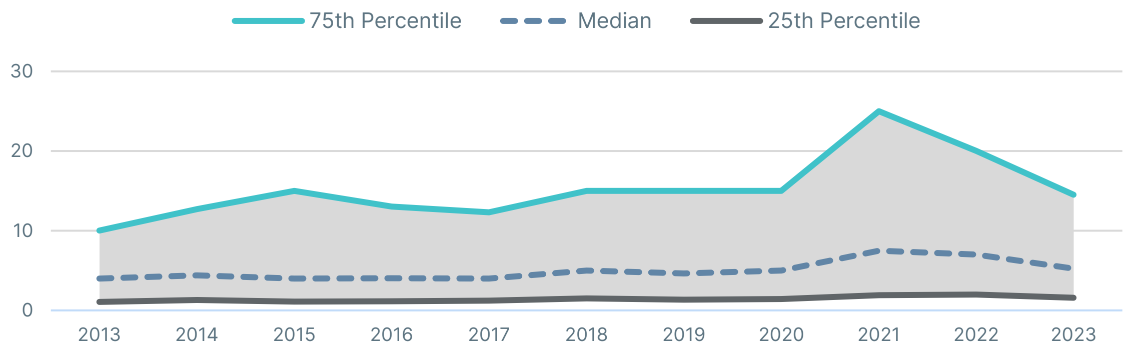
Seed / Pre-Seed – Deal Size ($m)



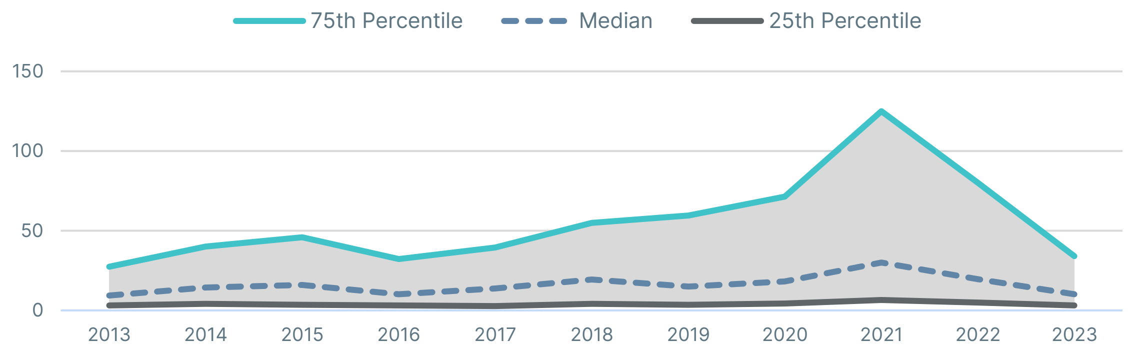
Early-stage VC (Series A, B) – Deal Size ($m)



Late-stage VC (Series C, D, onwards) – Deal Size ($m)



Venture Growth – Deal Size ($m)



- Deal sizes grew in the 10 years prior to the NASDAQ correction in 2022, as the VC industry grew and had greater dry powder to deploy
- The variance between the median and 75th percentile deal size has grown considerably over time and while it has tightened recently, it remains significant for seed and early-stage deals

- Late-stage and Venture Growth deals have seen the greatest decline in deal sizes since the heights of 2021, as dry powder is rationed more conservatively
- Meanwhile, funding has continued to rise in the seed and pre-seed stage, as many investors are now looking to invest earlier and ensure that their new portfolio companies are sufficiently capitalised to achieve target milestones

Source: PitchBook Data, Inc.

Significant transition from crypto & fintech in 2023

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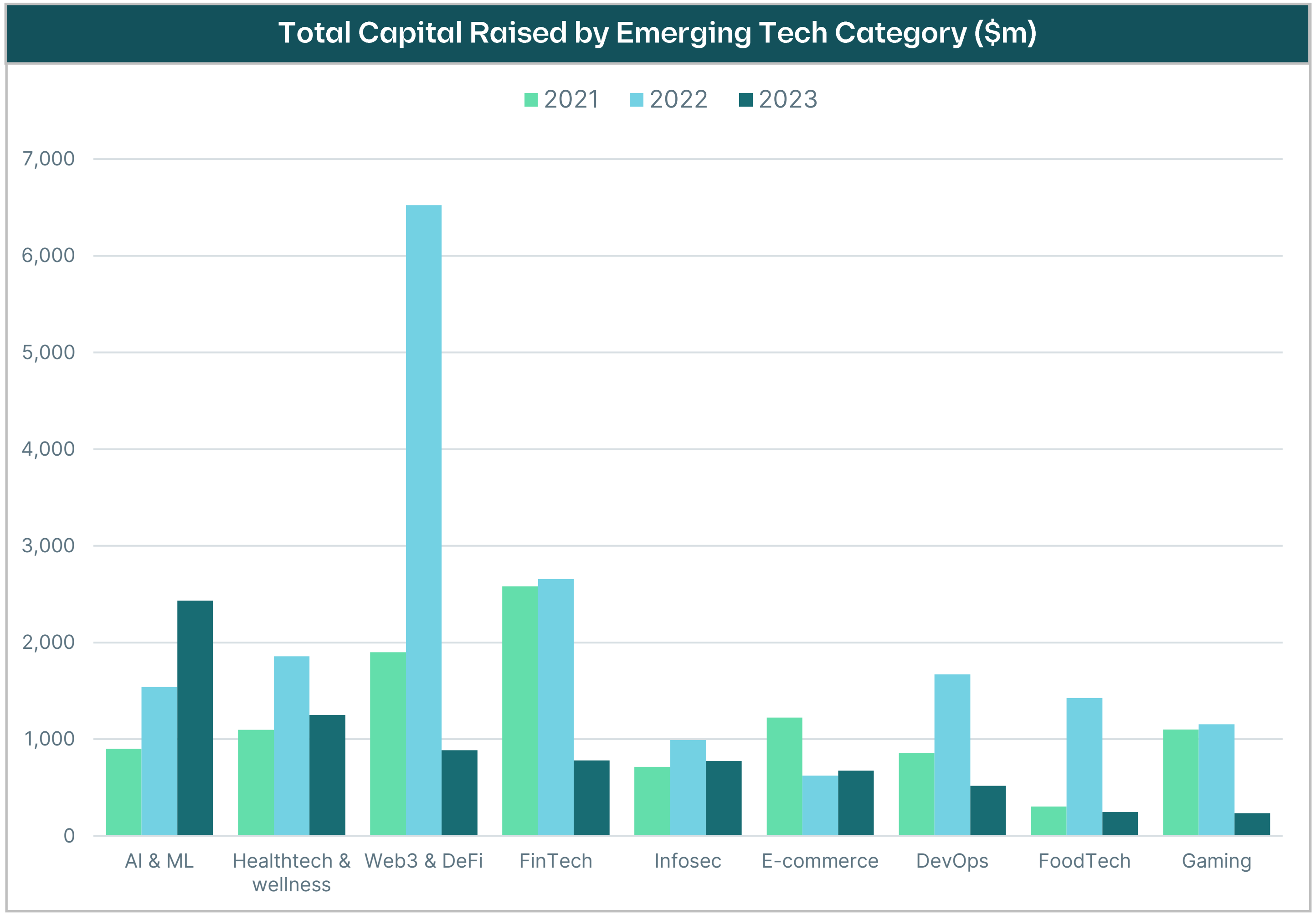

Source: PitchBook Data, Inc.

- AI & ML investment has moved from outside the Top 5 sectors in 2021 to be the dominant sector for capital investment in 2023.
- While there has been material change in deployment into many sectors, Web3 & DeFi has been hit particularly viciously in the past 12 months with a huge reduction in investment into the sector.
- The Fintech category has also seen a significant slowdown in capital invested after a strong 2021 and 2022

Bitcoin resurgence has yet to drive deal flow

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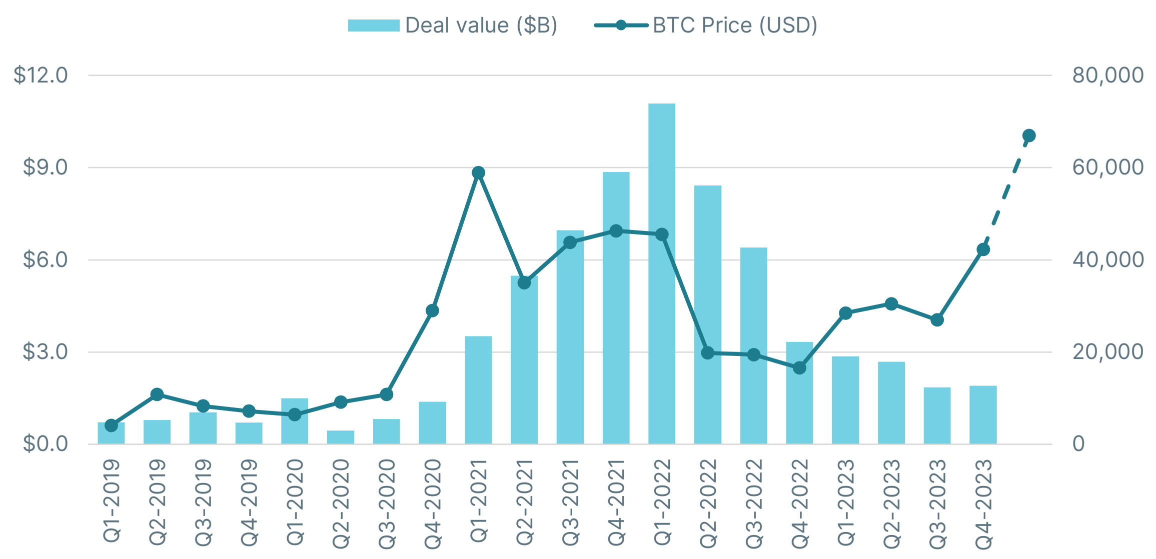
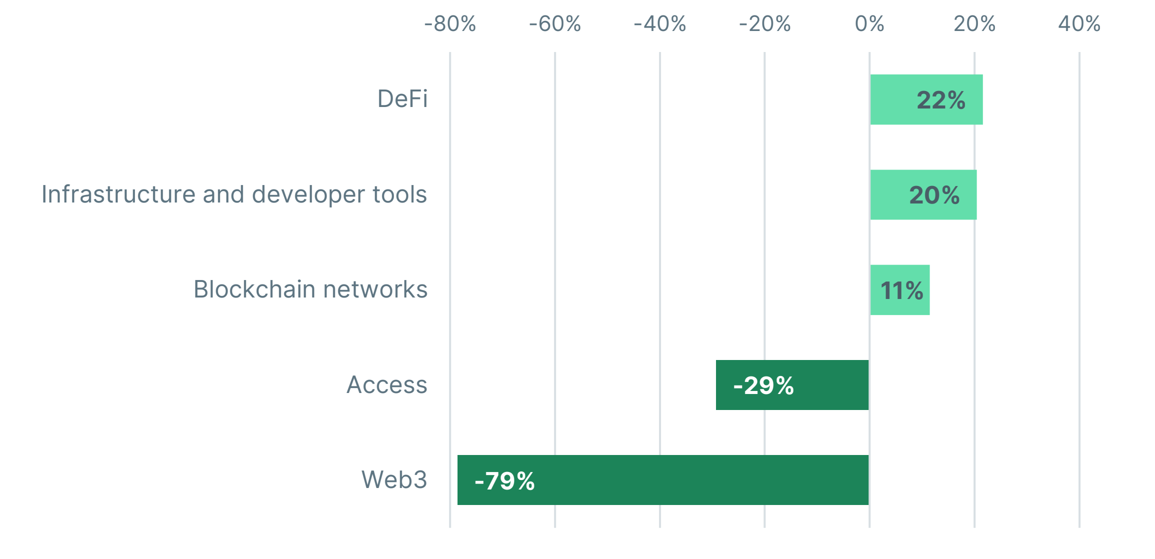
Crypto Sector deal value vs Bitcoin Price



Source: PitchBook Data, Inc. – Bitcoin price current, as of 18 March

Crypto Deal 4Q23 vs 4Q22



Source: PitchBook Data, Inc

- Despite negative news surrounding centralized exchanges like Binance and FTX, cryptocurrencies (incl. Bitcoin) experienced a strong 4Q-2023, which has carried over into 2024
- The backdrop to these market movements remains complex. Regulators worldwide, particularly in the US, are intensifying their oversight, as evidenced by ongoing legal actions against major platforms like Coinbase and Binance
- Notable VC transactions in 4Q-2023 included Swan Bitcoin ($165m), Blockchain.com ($100m), and notably Wormhole ($225m) that raised from Coinbase Ventures, Jump Trading, and ParaFi Capital at a $2.5b post-money

- Infrastructure and developer tools include corporate management & finance, data & storage, as well as development platforms
- Blockchain networks include bridges/interoperability and layer 1 & layer 2 scalability
- DeFi relates to services such as asset tokenisation, insurance, lending and trading & derivatives
- Access includes asset management & taxes, exchanges & wallets, as well as onboarding and payments
- Web3 broadly includes content & social, communities, decentralised physical infrastructure networks (DePINs) & hardware

Corporates driving AI investment

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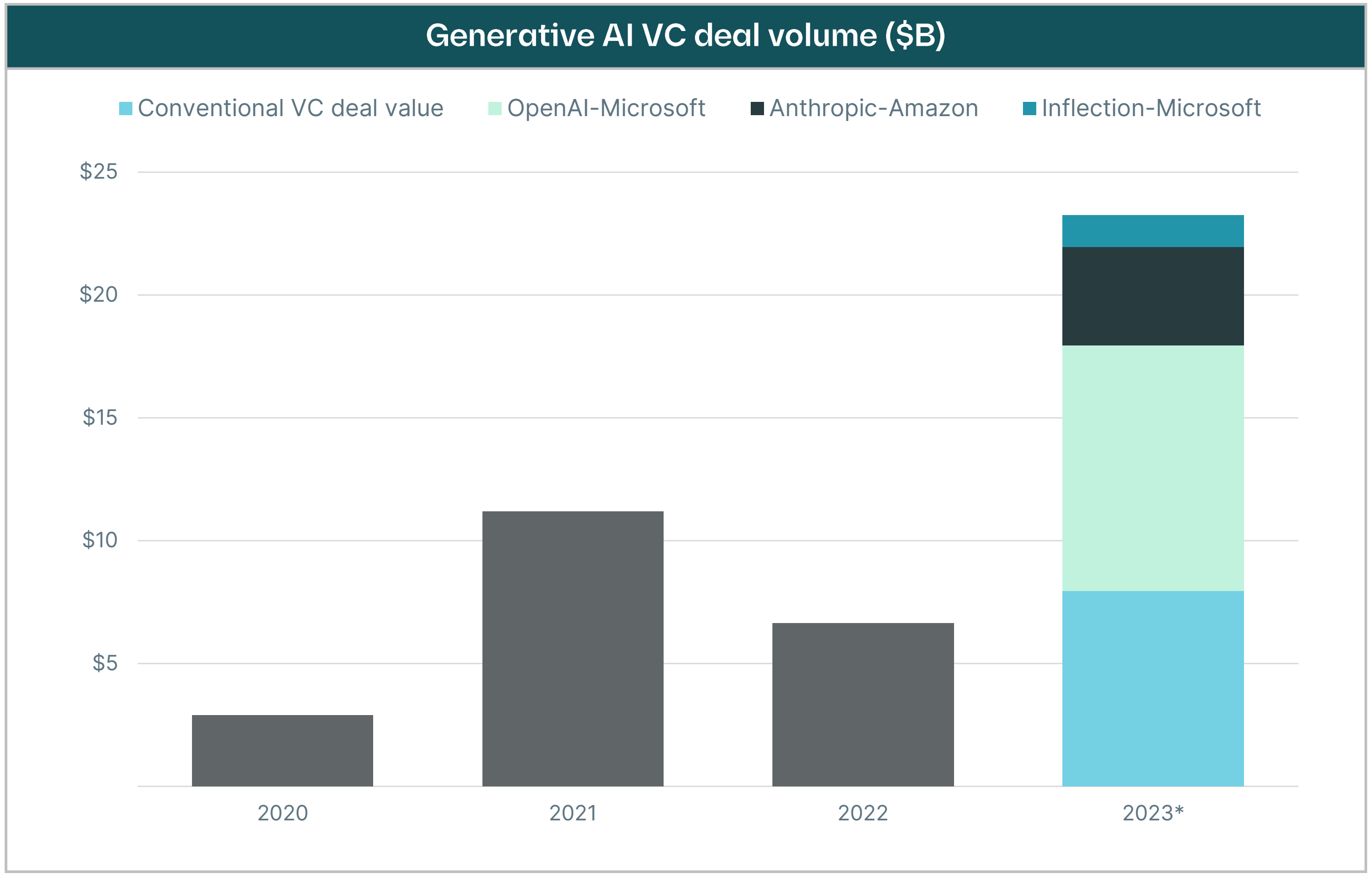

Source: PitchBook Data, Inc. -- Data as at 15/10/2023

- Generative AI is not exempt from the VC recession
- Outside of outlier corporate partnerships (OpenAI $10b, Anthropic $4b and Inflection $1.3b), VC deal value only paced 2021 levels
- Corporates have become the leading investors by deal count with Andreessen Horowitz being the only VC that has done more deals than Nvidia, Alphabet and Microsoft.
- There has been a move away from general-purpose middleware across audio, language, images, and video, to underlying AI core technologies and ultimate vertical applications

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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 are at multi-year lows

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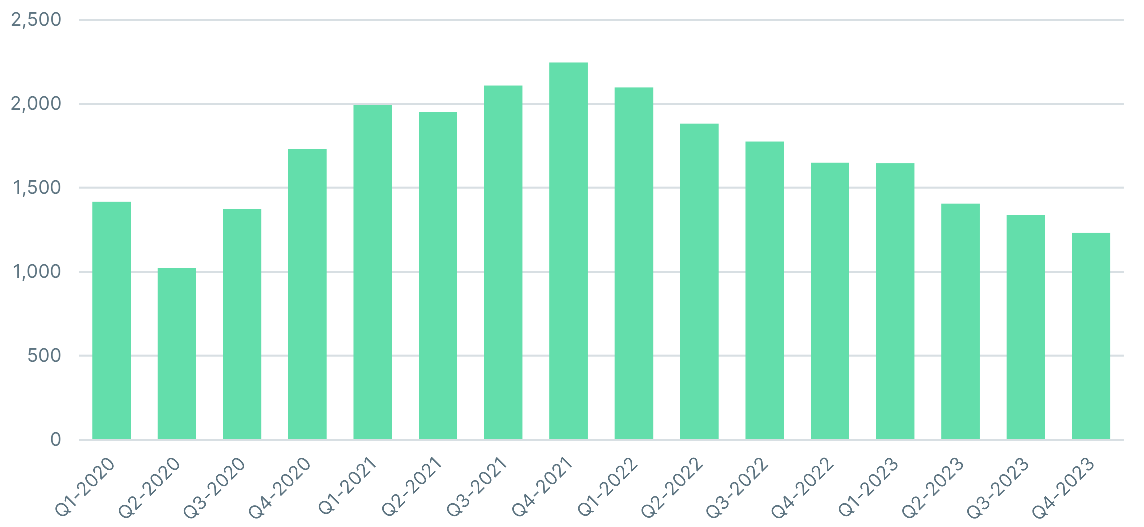
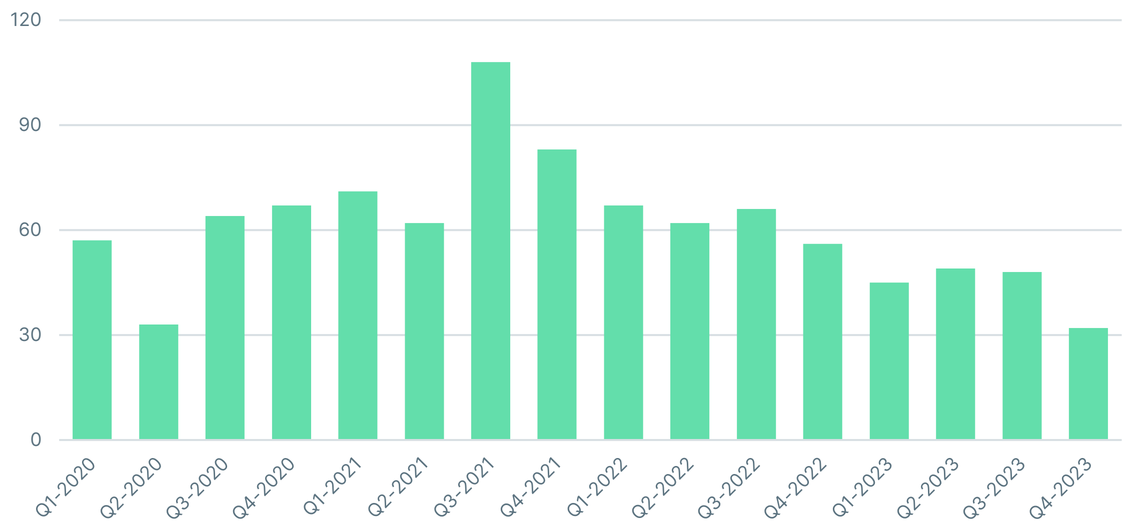
Total Technology M&A Deal Count – Global



Source: PitchBook Data, Inc.

- Global technology M&A deal volumes are now under pre-COVID levels, with a dearth of activity not seen since mid-2019.
- Tech M&A dealflow has decreased 33% from 2021 to 2023. Subdued M&A activity is not limited to the technology sector, with deal count across the board down 15% from 2021 to 2023.

Total Technology M&A Deal Count – ANZ



Source: PitchBook Data, Inc.

- ANZ deal count is trending in lock step with global numbers but at a more pronounced decline, down 45% from 2021 to 2023, with total deals well below 2019 levels and roughly equal to 2018 totals.
- Anecdotally, transactions are taking longer to complete, with the bid-ask valuation gap between acquirers and targets being the predominate factor to muted deal flow.
- Sellers are conscious of prior round valuation marks that are setting a psychological floor to thinking around what is an acceptable price.

Deal sizes have increased over time

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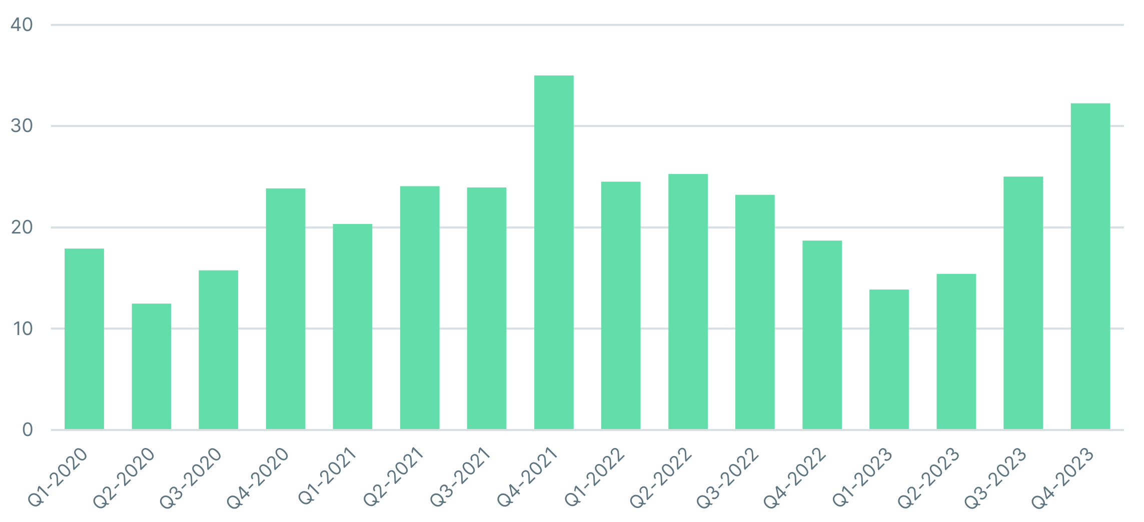
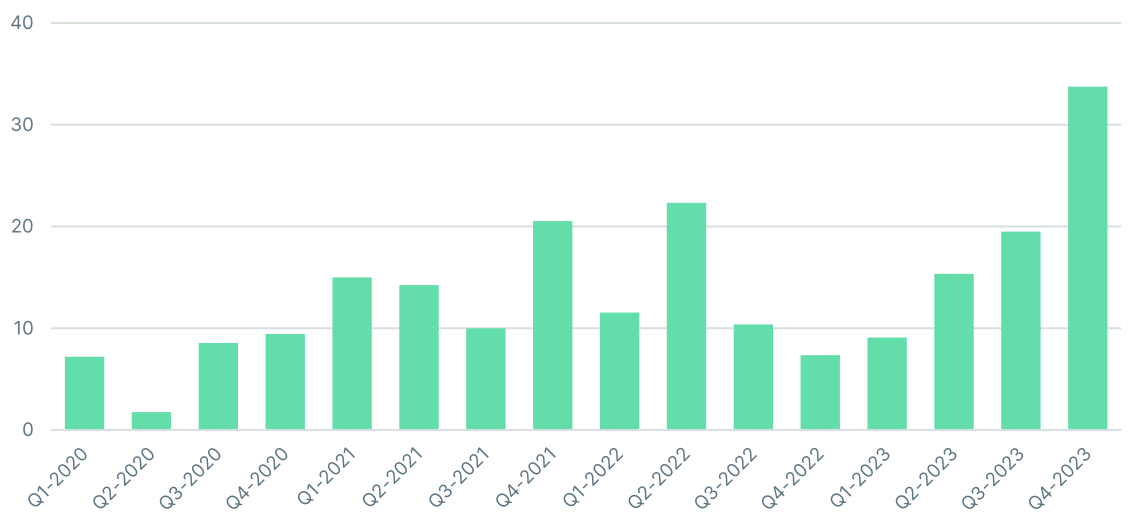
Median Technology M&A Deal Size – Global ($m)



Source: PitchBook Data, Inc.

- The median M&A tech deal size has seen an uptick, with larger tech groups being more active, albeit on lower volume of deals
- There are still numerous mega-deals buoying the sector globally. In Q4-2023, these included Broadcom acquiring VMware for US$89b, Microsoft acquiring Activision Blizzard for US$68b and NASDAQ acquiring Adenza for US$10.5b

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



Source: PitchBook Data, Inc.

- There has been a significant uptick locally in tech M&A deal sizes, however, the majority of deals announced in Q4-2023 did not have publicly available deal-size information
- Q4 2023 was skewed by a small number of transactions that disclosed deal size, with transactions of note including Telstra's acquisition of Versent for A$267m.

M&A valuations are finding a new normal

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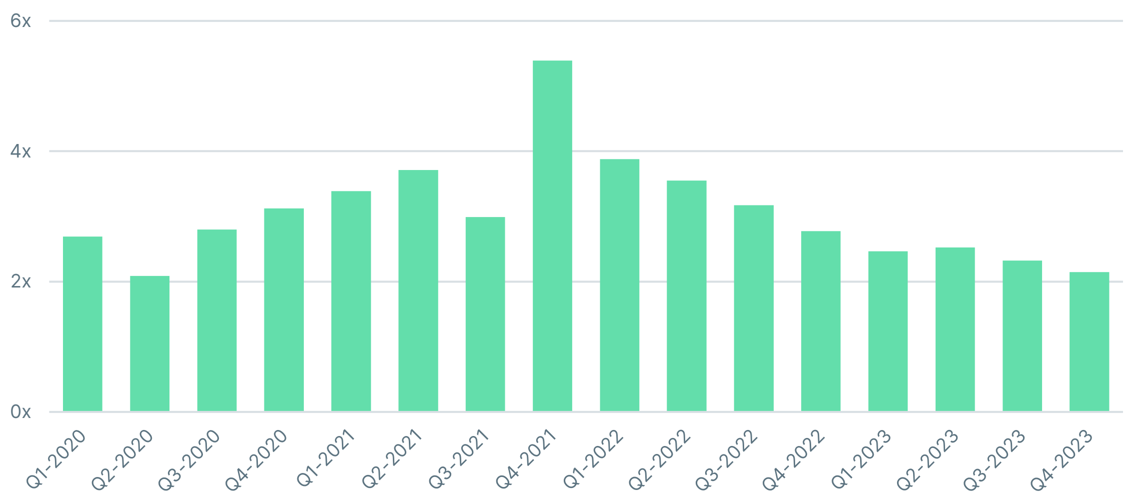
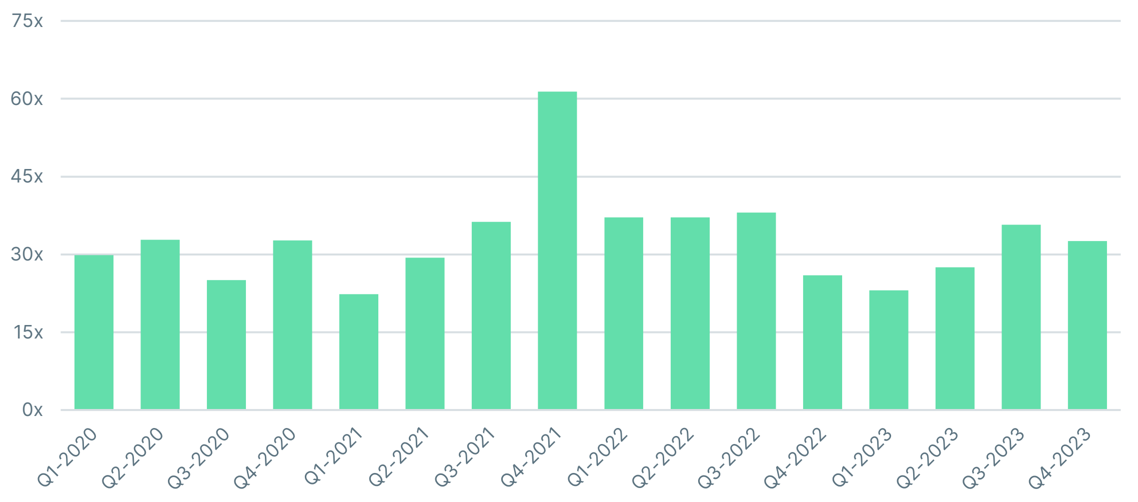
Median EV/Revenue M&A Deal Valuation – Global



Source: PitchBook Data, Inc.

- Valuations on a revenue multiple were between 0.8 – 4.5x from an interquartile perspective over the last quarter of 2023, signalling a wide range and limited propensity to pay for growth
- Top-line growth rates in technology companies have slowed across the market, which has had an impact on revenue multiples more broadly, given revenue growth rates are a major factor in determining multiples

Median EV/EBITDA M&A Deal Valuation – Global



Source: PitchBook Data, Inc.

- EV to EBITDA multiples are trending upwards, a sign that lower growth, high earnings margin acquisitions are still on the table, with a continued interest and openness to pay for high quality, earnings generating businesses.

IPO markets remain muted

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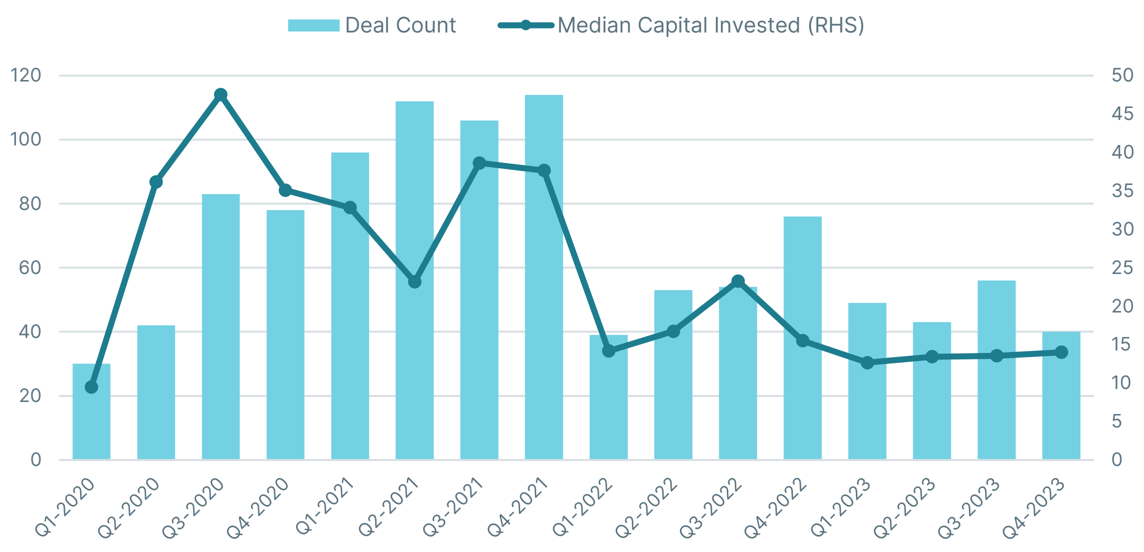
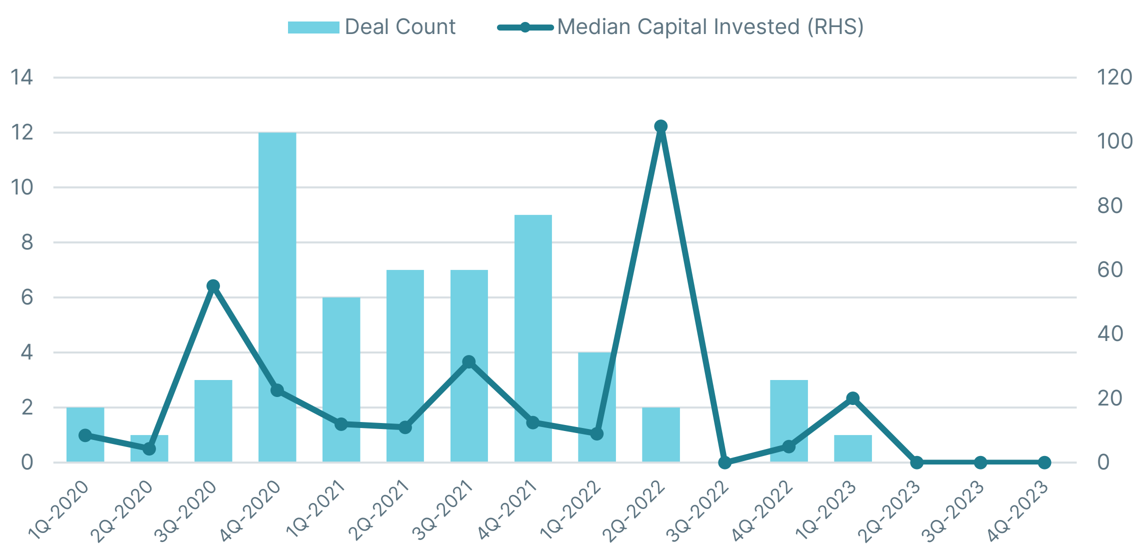
IPO Deal Count & Median Capital Invested – Global ($m)



Source: PitchBook Data, Inc.

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



Source: PitchBook Data, Inc.

- Despite a somewhat resilient US economy, the IPO drought persists with just $28.2 billion in public listing value achieved through Q3 2023 compared with the $511.9 billion raised through the first three quarters of 2021.
- The number of tech IPOs globally has reduced by 53% from 2021 to 2023 with the median raise also over 50% less in that time period
- The lack of exit via IPO has contributed to a liquidity crunch in the venture ecosystem, and many are hoping for an IPO comeback in 2024 to relieve pressure.

- The 'IPO window' for ANZ technology companies remains closed, with no deal activity over the past year.
- The attempted IPO of Cuscal in Nov-23 serves as notice of the current state of play – significant size ($241m revenue), solid growth (32% p.a revenue), profitable business (19% EBITDA margin) and reasonable valuation (EV/EBITDA of 9.4x) but was unable to attract sufficient capital.

VC exits will need to pick up over the coming years

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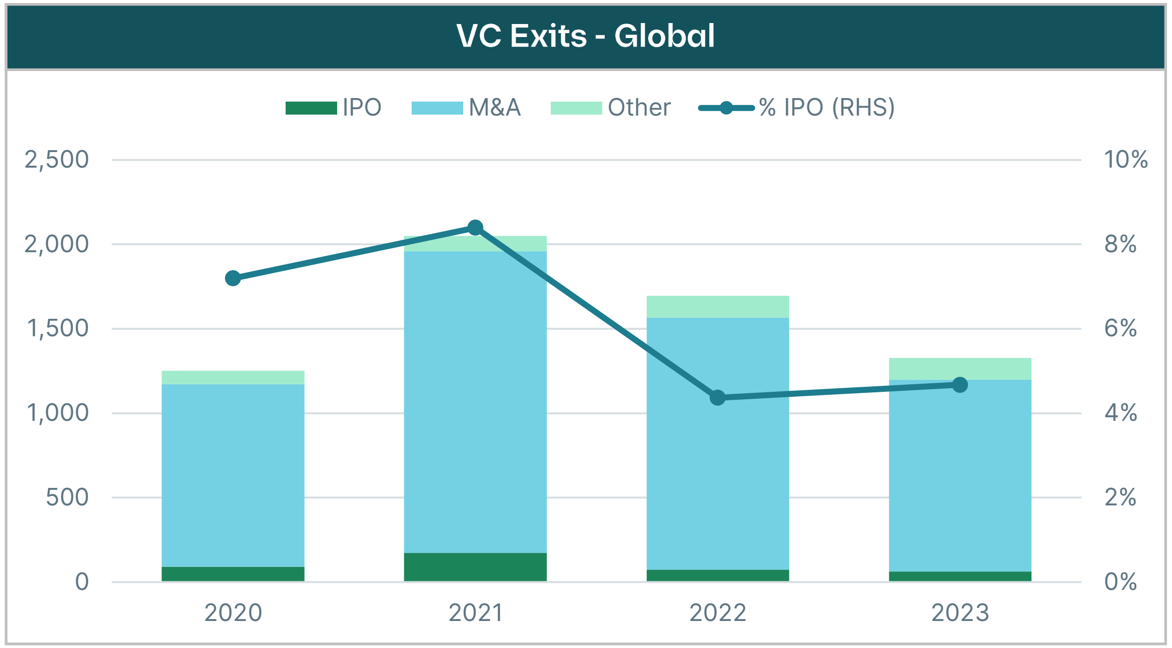
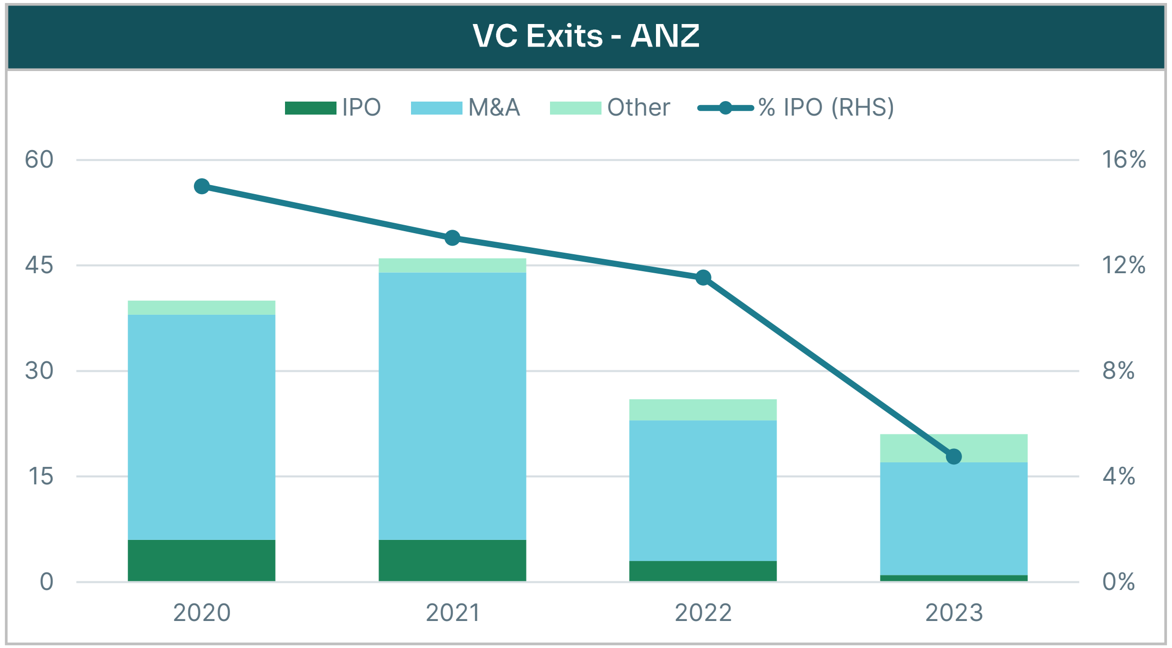


Source: PitchBook Data, Inc.

- VC exits globally have come back from their highs of 2021 where the pace of M&A deal activity was frenetic
- The percentage of IPO exits have ticked up in 2023, with macro conditions and inflation being tamed much quicker than in Australia, noting that the USA's last rate rise was 9 months ago.



Source: PitchBook Data, Inc.

- Exit via IPO has been in decline since 2020, with a single VC IPO exit in 2023 relating to Gresham Partners' exit from Acusensus
- Approx 35% of all VC funded companies from 2010-2016 have achieved an exit, leaving the residual majority needing to explore liquidity options over the coming years for VCs to meet end of fund obligations.

Secondaries are an increasingly important path to liquidity

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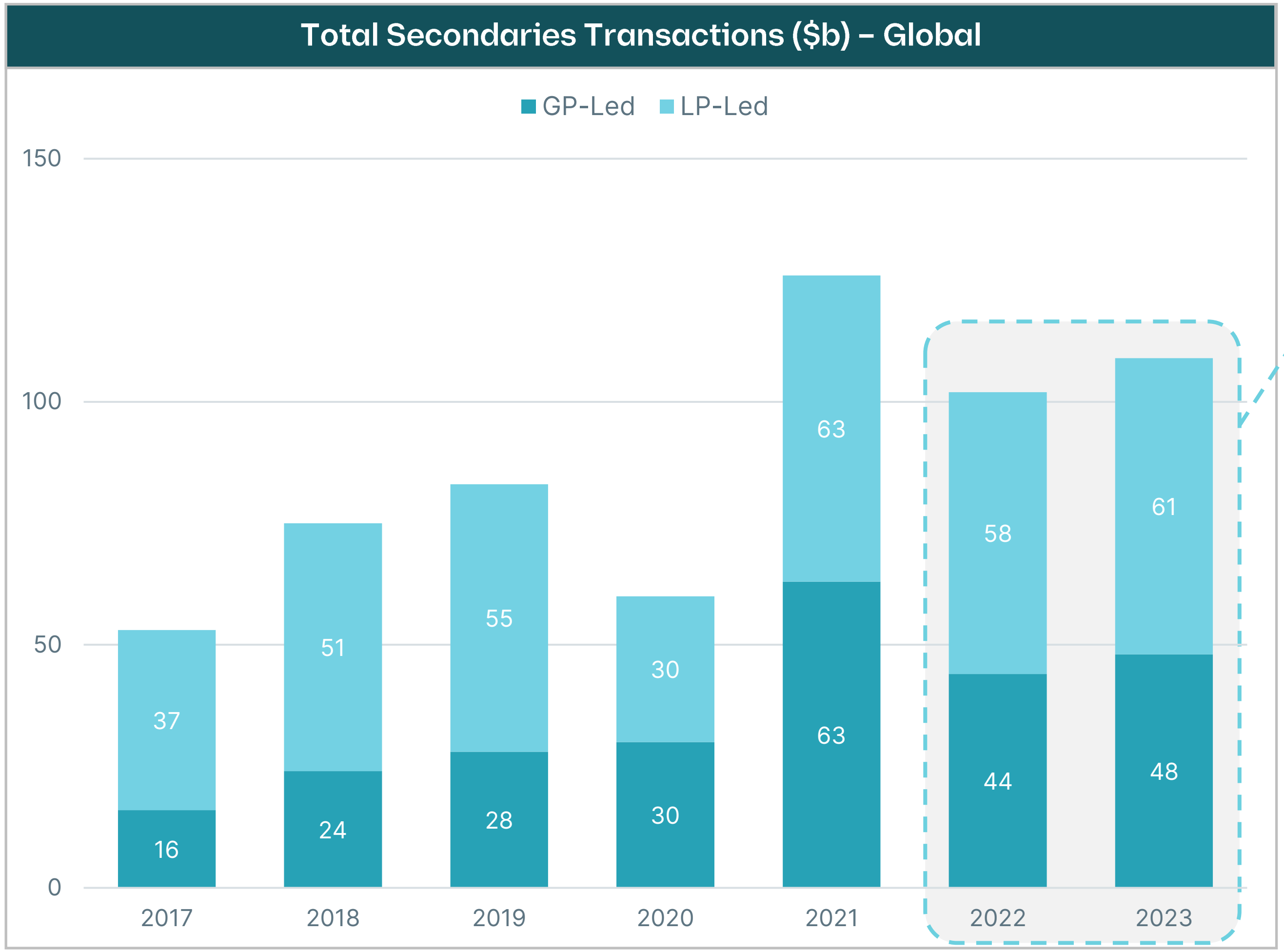
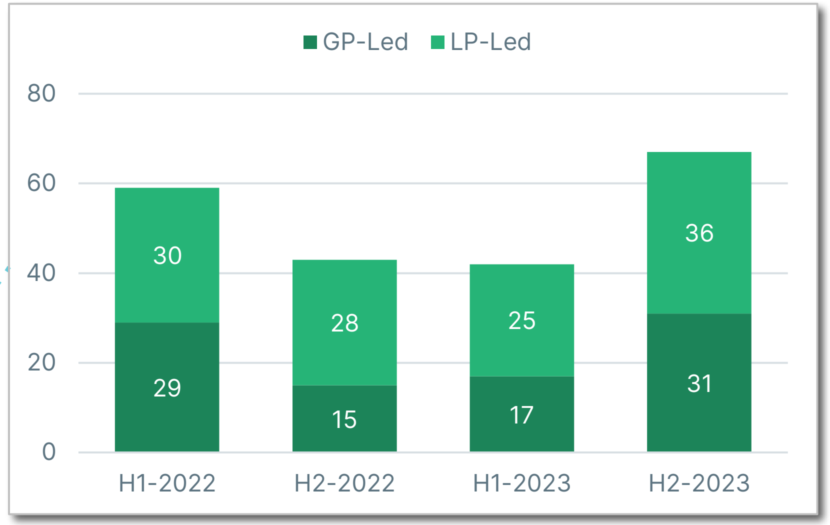


Source: Lazard 2023 Secondary Market Report



- Secondary market has picked up significantly in 2H-2023, where annualised volumes would imply a figure of $134 billion, which would exceed the highs of 2021
- Note that this incorporates all industries, not just technology and largely relates to the private equity market
- This does, however, mimic what we anecdotally understand to be occurring more frequently in the VC market locally and abroad
- GP-led refers to situations where GPs decide to sell assets of a fund before end-cycle to new investors or another fund
- LP-led refers to situations where LPs decide to sell interests in private funds to other investors

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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 are slowly recovering

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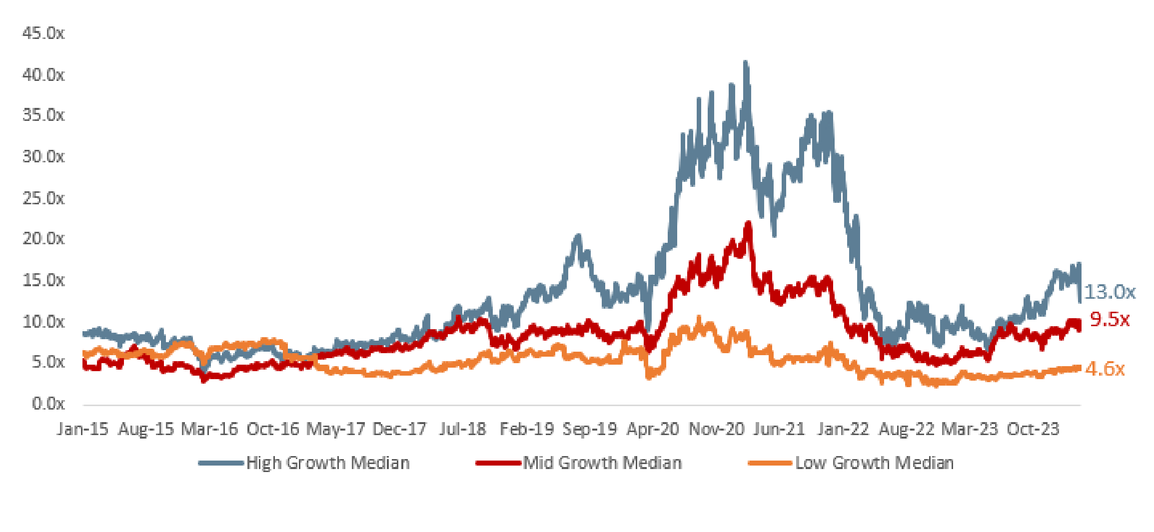
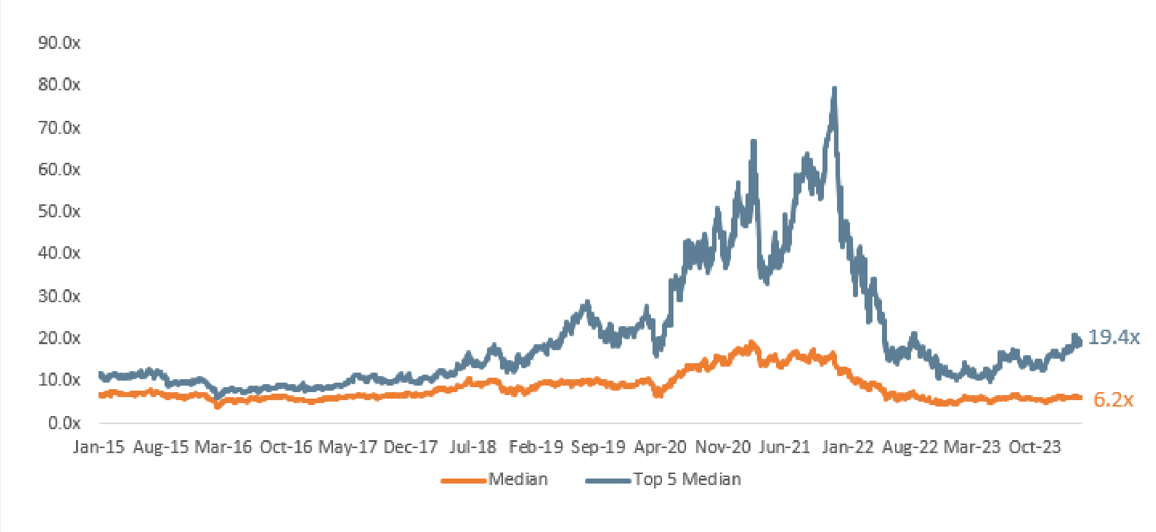
EV / NTM Revenue Multiples (by growth cohort)



Source: Clouded Judgment blog, Jamin Ball – 8/3/24

EV / NTM Revenue Multiples (Top 5 vs median)



Source: Clouded Judgment blog, Jamin Ball – 8/3/24

- 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)
- The high-growth cohort experienced the sharpest decline from peaks in 2020 and 2021, but has also seen a 12% recovery in the past twelve months

- There is a widening gap between the Top 5 (by revenue multiple) and the overall SaaS median
- The top five currently are Snowflake, CrowdStrike, Cloudflare, Palantir and MongoDB
- Last October, the Top 5 median and overall median revenue multiples were 13.7x and 5.7x respectively, illustrating the stabilization in Nth American listed software company valuations

SaaS revenue growth is harder to achieve

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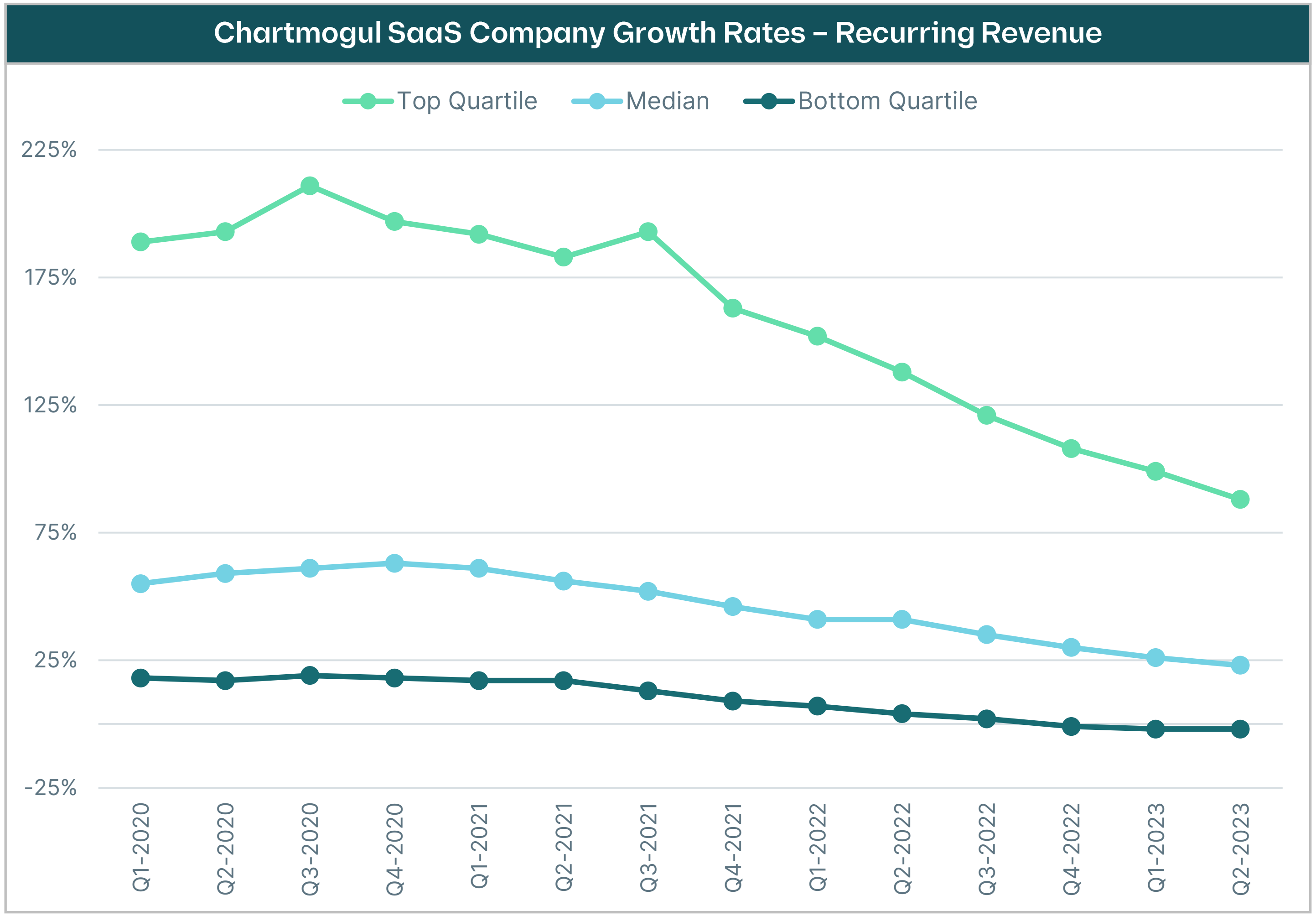

Source: Chartmogul March 2024 Benchmarks

- The COVID period saw rapid adoption in SaaS technologies, as mobility restrictions acted as a catalyst for many companies to adopt cloud (often SaaS) products
- Many early to mid-stage SaaS companies (this survey consisted of SaaS businesses of up to $30m ARR) are seeing a more difficult sales environment and revenue growth decline as a result
- Median levels of growth (23%) mean that many companies are not "venture backable" going forward and may need to pursue different growth strategies.

Index performance driven by the Magnificent 7

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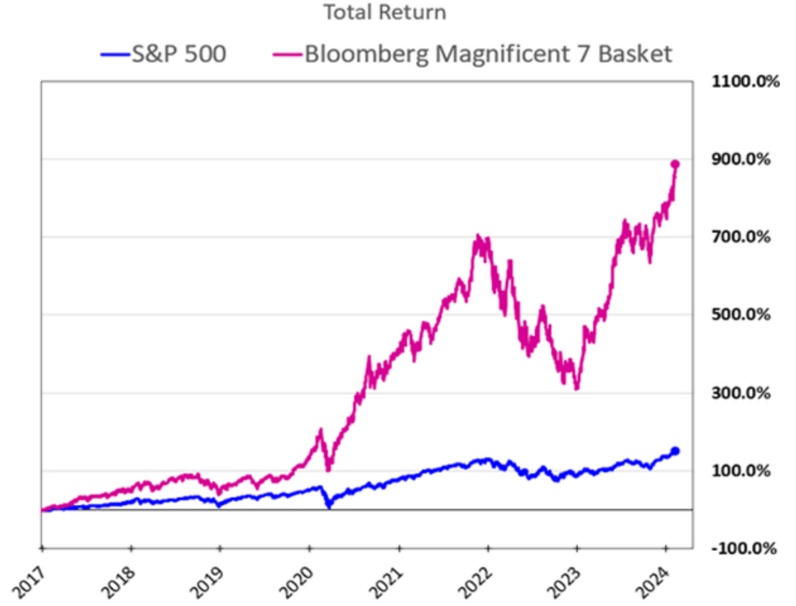
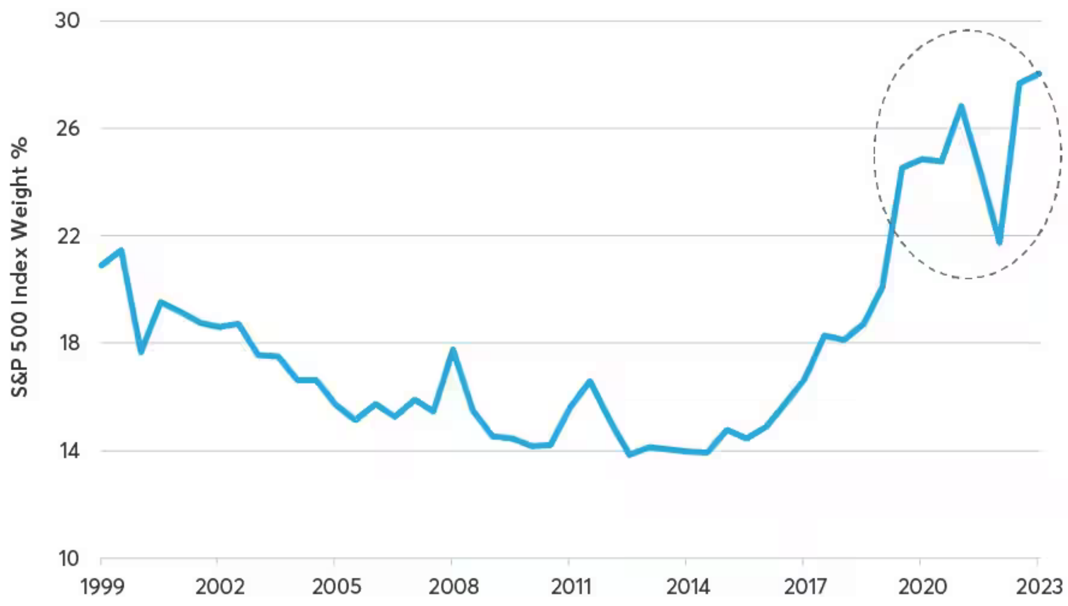
Magnificent 7 Share price performance vs S&P 500



Source: Bloomberg via The Daily Shot

- The S&P 500 hit its COVID peak in late 2021, exceeding 4,750 before dropping to below 3,600 in late 2022. It now exceeds 5,100
- In the same period the "Magnificent 7" (that includes Apple, Microsoft, Google parent Alphabet, Amazon, Nvidia, Meta Platforms and Tesla) have seen their valuations surge, well beyond the index performance
- For example, Nvidia has seen its stock price increase 250% over the last 12 months, and over 2000% over the last 5 years

Historical Top 7 Stock Weightings in S&P 500 Index



Source: SPDJI, Bloomberg

- Market leadership in the U.S. large-cap names has been increasingly dominated by a narrow opportunity set of mega-cap stocks
- The seven biggest technology stocks, aka "Magnificent 7" now make up almost 30% in terms of market capitalization of the S&P 500 Index and almost 60% of the index's return in 2023.

ASX sees a premium for achieving Rule of 40

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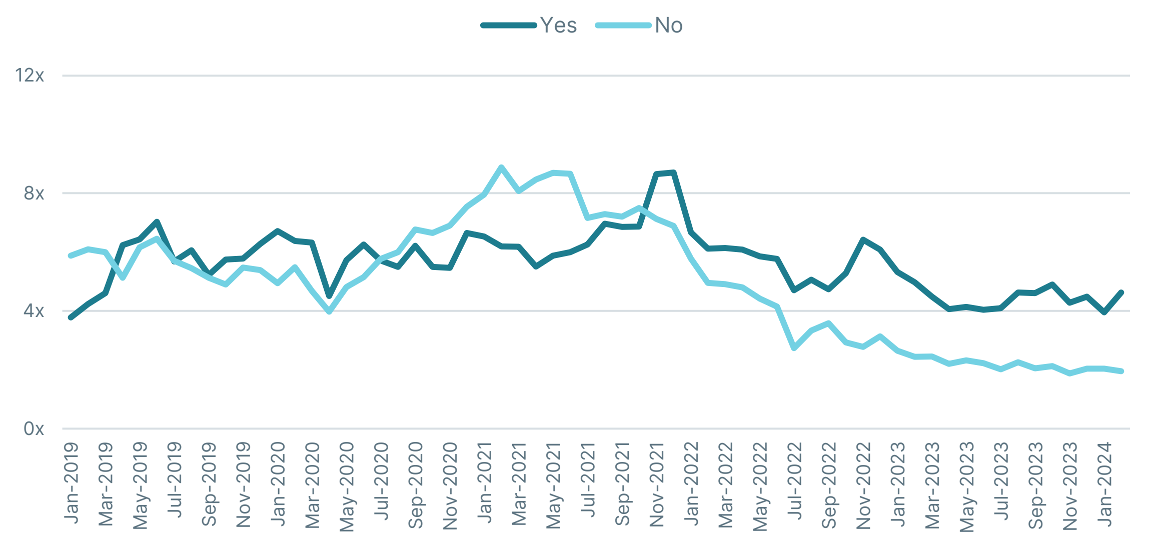
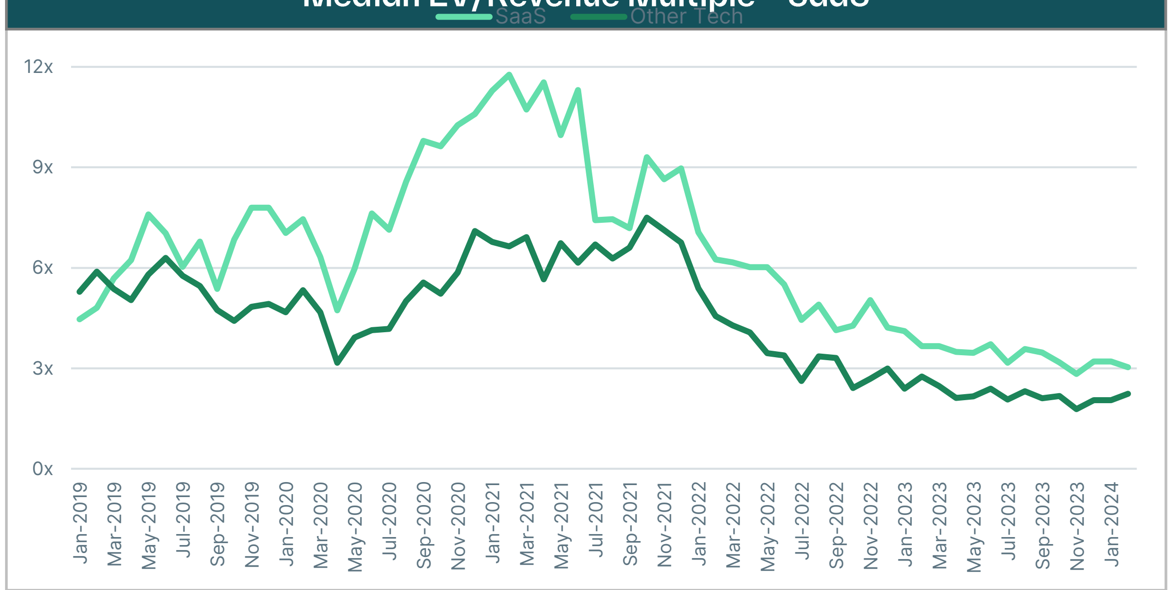
Median EV/Revenue Multiple – SaaS Rule of 40



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

Median EV/Revenue Multiple – SaaS



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

- Rule of 40 refers to SaaS companies that have a revenue growth rate PLUS an EBITDA margin exceeding 40%
- Between 2020 and 2021 where there was no premium attached to achievement of Rule of 40 on the ASX, as 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 with ASX listed SaaS companies vs non-SaaS peers, due to their perceived higher quality revenue streams
- While a premium for SaaS still exists, the materiality of that premium has closed significantly, which is not consistent with the flight to quality observed in recent times.
- *Fintech companies have been excluded from the above analysis*

ASX valuations not consistent with "Rule of X"

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EV / Revenue multiples by Growth & Profitability Bucket

	<20% revenue growth	≥20% revenue growth
≥0% EBITDA margin	**Low growth, Profitable** *Median EV / Revenue ~3.4x*	**High Growth, Profitable** *Median EV / Revenue ~7.4x*
<0% EBITDA margin	**Low growth, Pre-Profit** *Median EV / Revenue ~1.3x*	**High growth, Pre-Profit** *Median EV / Revenue ~2.9x*

- "Rule of X" introduced by BVP and Meritech suggests that revenue growth and FCF margin should be valued on a ~3:1 basis rather than 1:1 within the Rule of 40.
- BVP and Meritech argue that growth needs to remain the priority for businesses with adequate EBITDA margins.
- ASX believes the opposite, valuing profitability greater than revenue growth.
- Companies growing slowly and unprofitably are seeing valuations approach 1x revenue and may find valuation support for future equity raisings increasingly difficult.

*Source: PitchBook Data, Inc. based on FY23; *Data has not been reviewed by PitchBook analysts*
`https://www.bvp.com/atlas/the-rule-of-x

Tough market for modern online lending platforms

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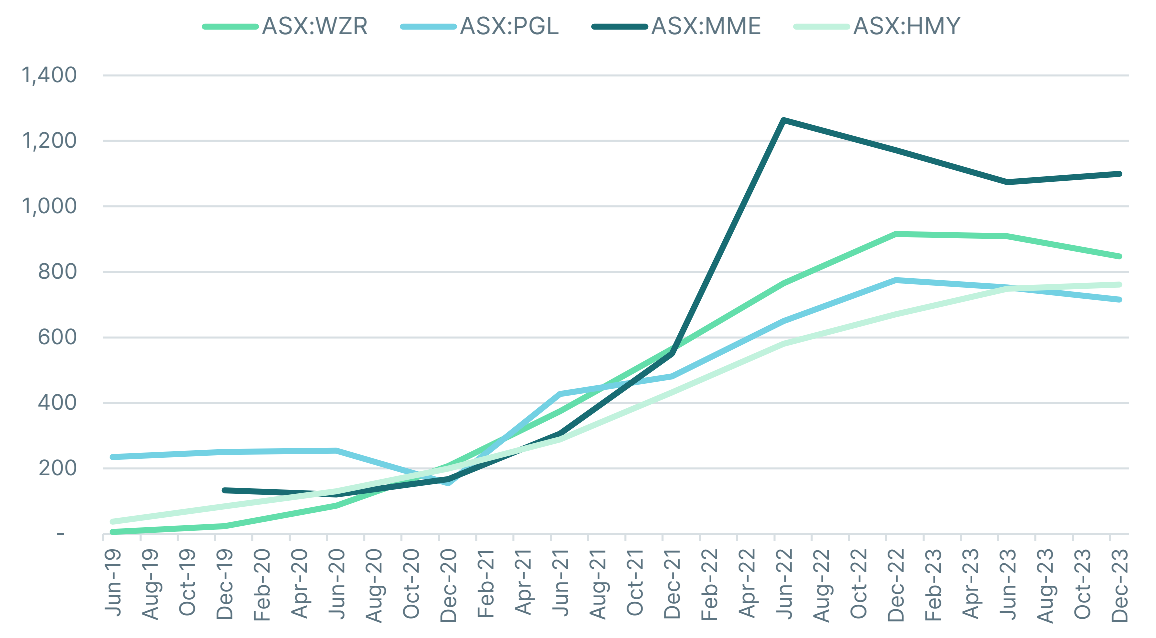
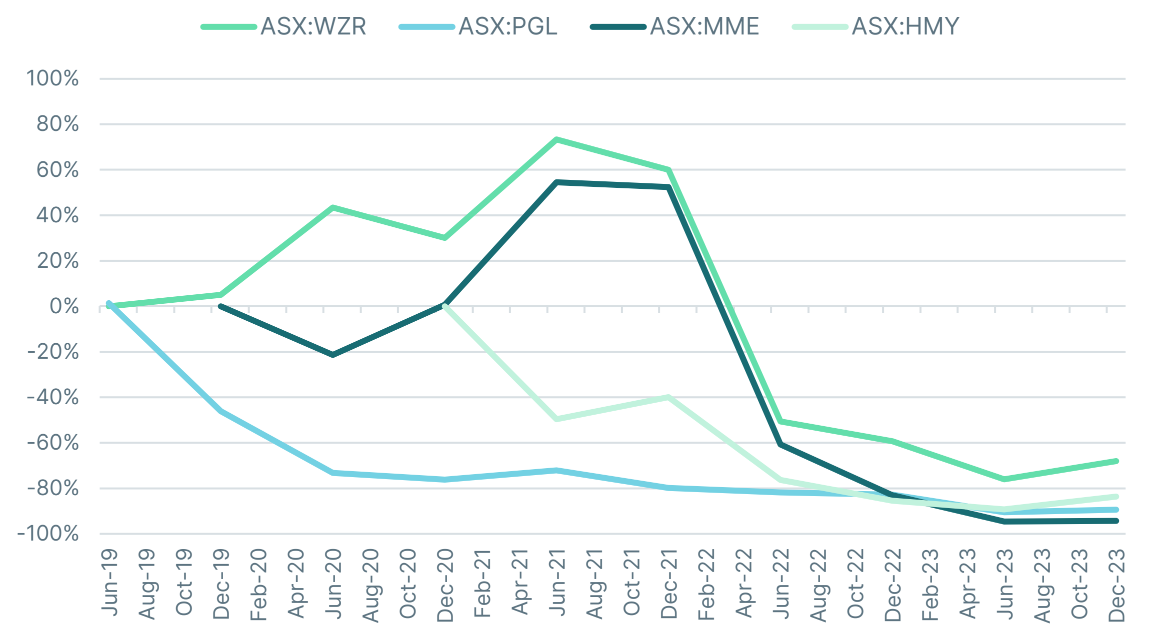
Loan Book Value ($Am, includes on-balance sheet only)



Source: Publicly available reports

Share Price % change from Jun-19 or IPO price



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

- ASX online lending platforms (Wisr, Prospa, MoneyMe and Harmoney) have enjoyed significant loan book growth over recent years
- As the Big 4 banks retreated from the small business and consumer lending space, these modern lending platforms ceased the opportunity to provide fast and unsecured financing solutions delivered online

- Wisr and MoneyMe experienced strong share price increases during 2020 and 2021 on the back of loan book growth
- Since 2022, all 4 business have seen their share prices decline dramatically.
- Prospa finally agreed to a sale to Salter Brothers Tech Fund for $74m in February, a far cry from its IPO value of $610m in May-2019

Low distributions are limiting contributions to VC

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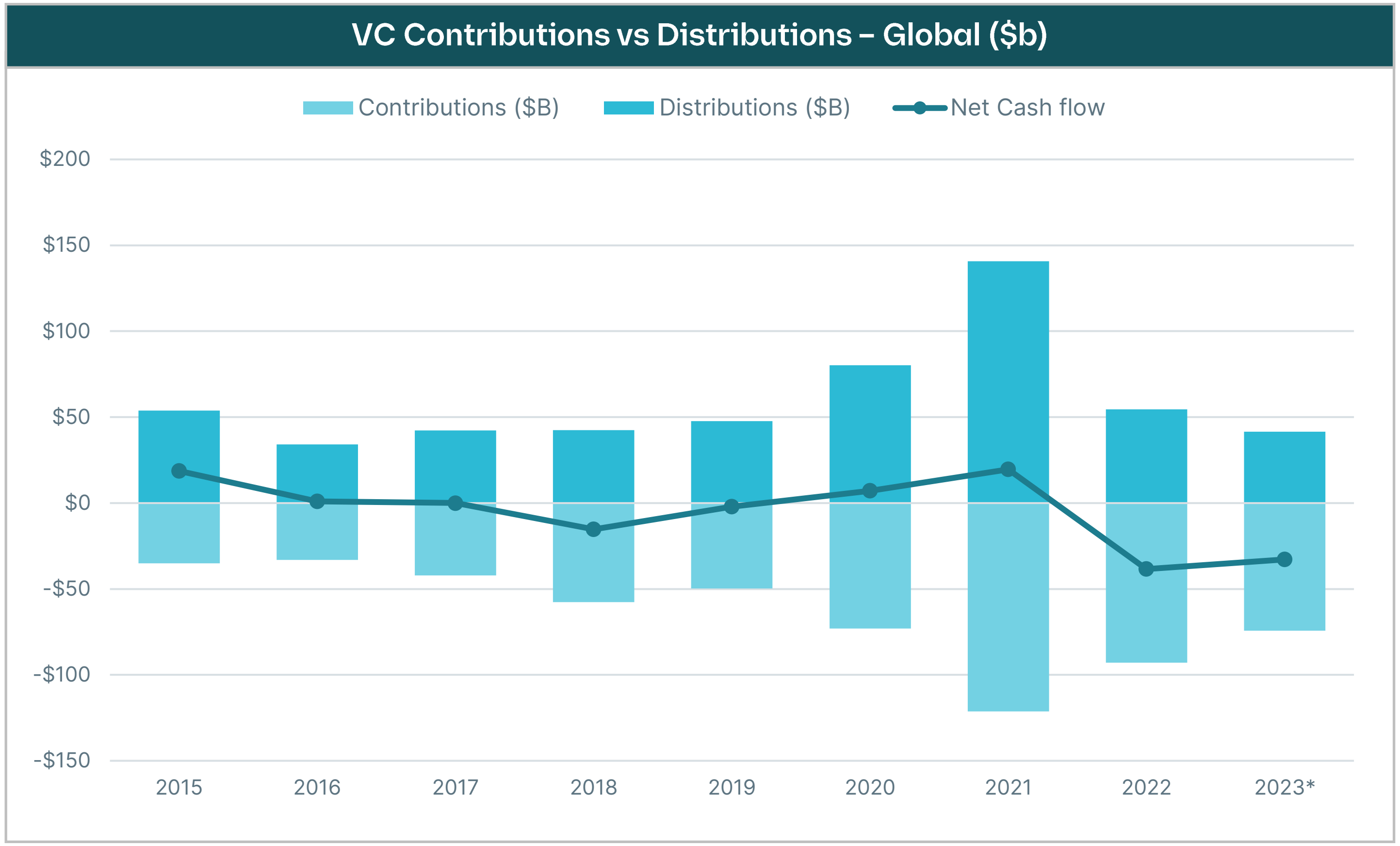

Source: PitchBook Data, Inc..
**2023 data is annualised for comparability*

- As a result of declining activity in M&A and IPOs, distributions continue to reduce
- As distributions from prior vintages are often reinvested in new vintages, this phenomenon is seeing contributions to new VC's grind down
- Many asset allocators are unwilling to allocate additional capital to VC in the absence of seeing crystalised returns
- The environment globally has been particular challenging for first time funds seeking to raise subsequent vintages

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Survey Results

Survey Results

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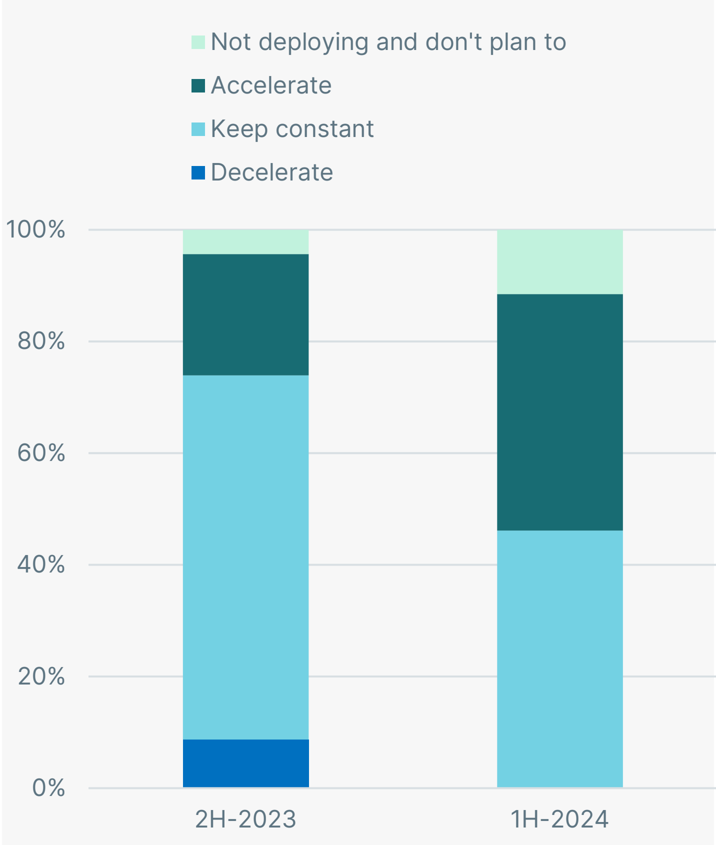
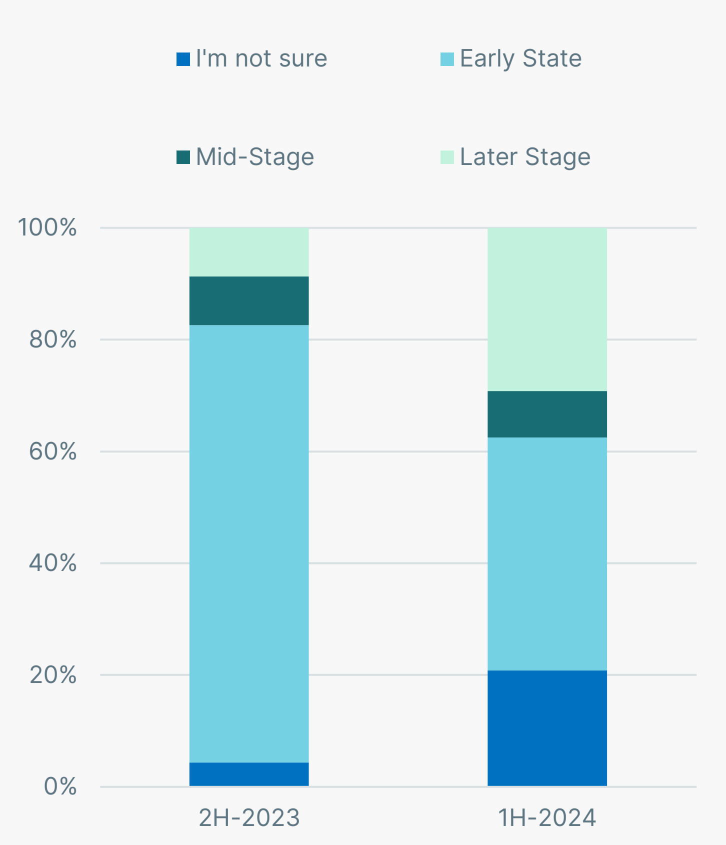
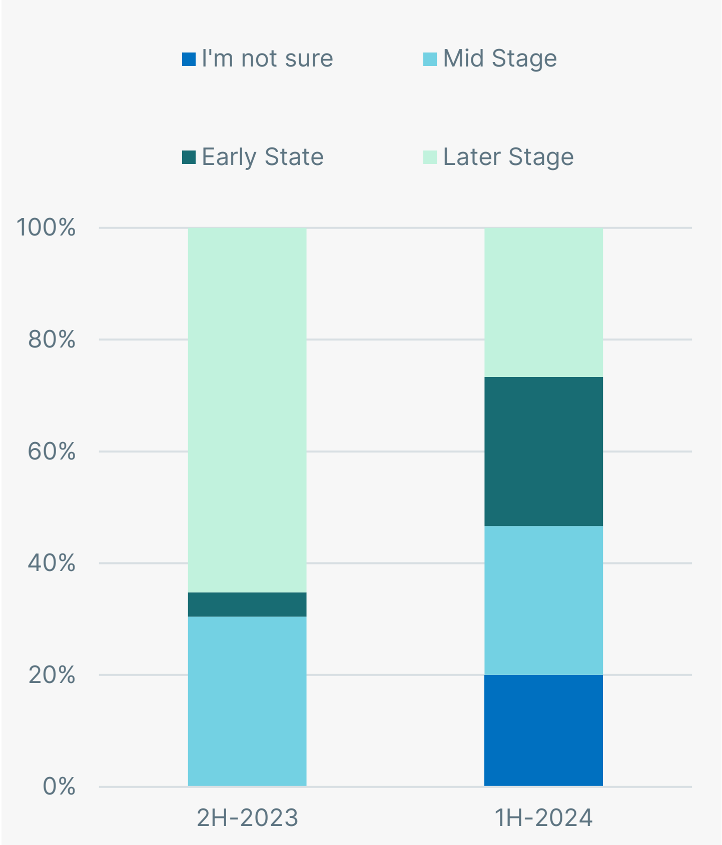
Are you planning to accelerate, decelerate or keep constant your deployment of capital in technology companies over the next 6 months?



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)



A world without hunger starts with her.

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