

Pre-IPO Fund

Quarterly Update: June 2021



Dear Fellow Investors,

As you will note from your Market Value Statement, our Pre-IPO Fund was down -5.4% in the June quarter, again largely reflecting the further significant decline in the share price of Laybuy (LBY) during the period. As a reminder, our effective average entry price for our shares in LBY is \$1.125 vs the IPO price of \$1.41 and month end share price of \$0.53.

A key driver of LBY's further share price decline was a \$40m capital raising (completed at \$0.50) to support its ongoing growth in the burgeoning UK BNPL market. This came as no surprise given all BNPL providers will periodically require additional capital to support their high growth rates, however the timing (and therefore pricing) for LBY was very unfortunate. In our view, LBY waited too long to execute this transaction, in the hope that its share price might rally, when the root cause of its decline was the gradual realisation that with each passing month a deeply discounted capital raising was becoming more likely (and imminent). As such, we are hopeful that it will prove to be somewhat of a circuit breaker and enable the market to switch its focus away from LBY's capital requirements to the stellar growth it is generating with the use of that capital. Given it is not within our mandate to contribute capital to businesses once listed, the Pre-IPO Fund didn't participate in the capital raising, however our Emerging Companies Fund did.

In our view, LBY remains completely mispriced vs not only its listed peers, but even when compared with private transaction multiples. For example, Z1P just paid more for Twisto (a small European BNPL) than LBY's enterprise value, despite Twisto currently generating about one-third of LBY's GMV and Revenue. We could cite numerous other comparisons which make LBY look ludicrously cheap, but for now we must accept that the market needs more than just cheap relative valuation metrics to change its mind, whether that be further proof of execution or some form of strategic alignment with a major bank.

Pleasingly, LBY has just released its June Qtr trading results, achieving a record Gross Merchandise Value (GMV) of NZ\$184m, up +58% on pcp (with the month of June +63% on pcp, ahead of both April and May) and surpassing the seasonal peak of the December Qtr. It also added another 73,000 Active Customers and over 1,000 Active Merchants during the quarter, while a strategic partnership with AWIN, Rakuten and Sovrn will see LBY customers having access to over 5,000 merchants in the UK from 2Q onwards, including ASOS, Nike, Marks & Spencer, Amazon, Boots, easyJet, Booking.com and eBay. The bottom line is that if LBY continues to deliver on its strategic and financial goals, as it has to date, it is only a matter of when, not if, the market recognises this in its share price.

Meanwhile, we continue to receive encouraging feedback on the operational performance of our other three investments (Haemokinesis, TRIBE and Xchg) and are confident that each of them will achieve a successful listing on the ASX this year, subject to market conditions. We have also been actively reviewing other potential deals, including BirdDog Australia Pty Ltd, in which we have just invested \$2.5m via a convertible note (we discuss the business in further detail over the page). This now leaves the Fund with ~\$3m in cash available to participate in one or two more deals before we will be fully invested.

Company in focus: BirdDog Australia Pty Ltd (BirdDog)

BirdDog has established itself as a world leader in Network Device Interface (NDI) and Internet Protocol (IP) video technology, delivering its technology to some of the largest broadcast and live production companies globally. The market opportunity is substantial, with NDI-enabled products representing a total addressable market of >US\$24B. BirdDog management have been successful in driving substantial revenue growth on a stable ongoing cost base, delivering record revenue in the Dec-20 Qtr and are set to deliver a 350% revenue increase in FY21. It currently has a suite of 53 hardware products and 10 software products in its range and is expanding its product range to cater for new markets and opportunities, including 15 SKUs in development. Its product suite comprises cameras, converters, controllers and accessories, chips and boards, and software, and are already being used by many multinational corporations including Google, Apple, Microsoft, Amazon Web Services, Netflix, Zoom, NBA, Formula 1, ESPN and the BBC.

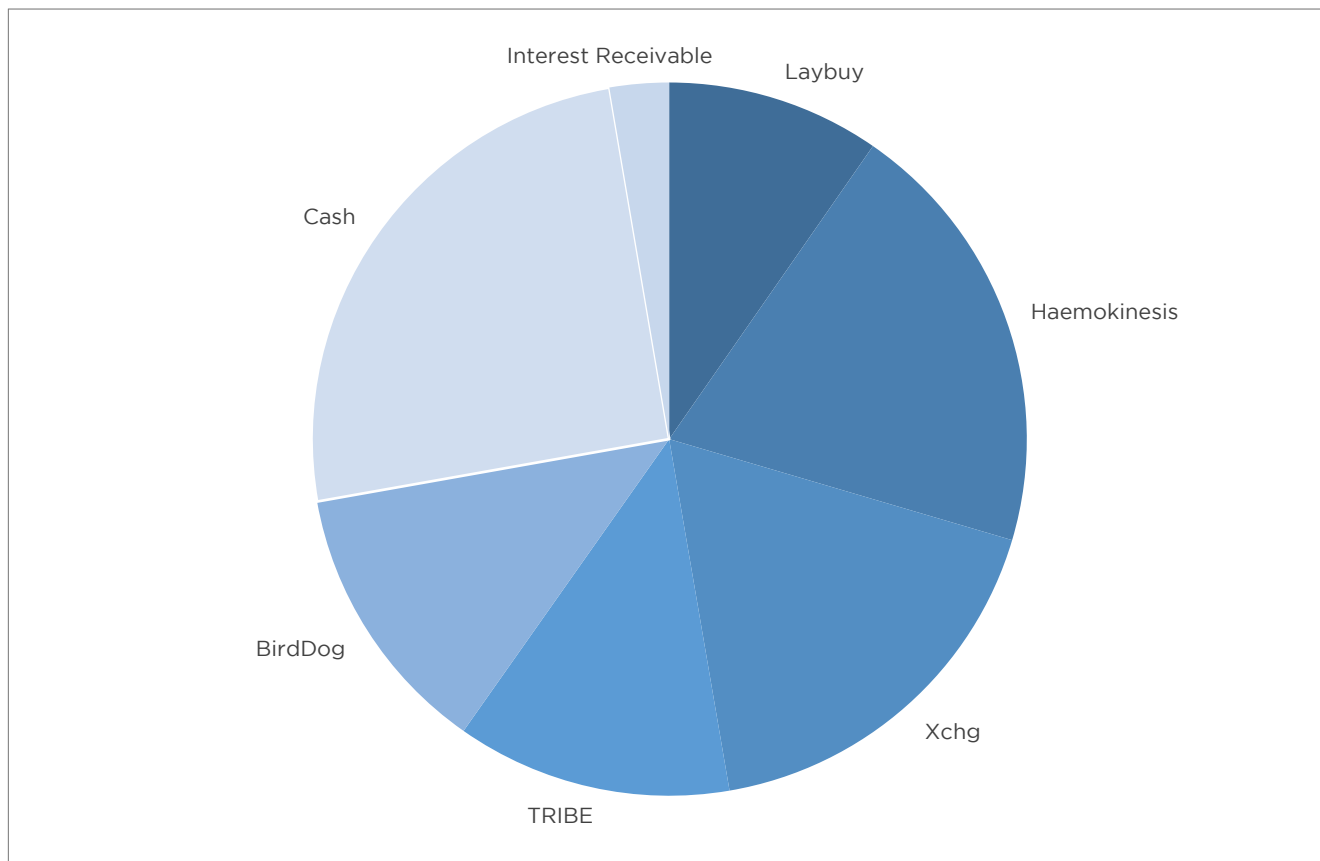
Since being launched in 2017 by its founders, Dan Miall (CEO), Eamon Drew (CMO) and Barry Calnon (CFO), BirdDog has grown from an R&D start-up to generating over \$30m of revenue in FY21 (9 months YTD) and, importantly, positive EBITDA of \$3.6m (with all R&D expensed). BirdDog has a highly credentialed management team with deep experience in the broadcast and audio-visual technology industry. With the use of an extensive network of non-exclusive distribution partnerships and direct online sales, BirdDog sells its products in over 50 countries (90% of which are across the US, Europe and Asia Pacific), while its manufacturing base is spread across China and SE Asia to manage supply risk.

BirdDog provides broadcasters, large enterprises, SMEs, education and social organisations that require an AV & Broadcasting technology with greater functionality, flexibility and higher image quality, but do not wish to make a significant investment in broadcasting equipment in order to achieve low latency broadcast quality. NDI-enabled technology solves this problem by providing a step-change in video quality using existing IP infrastructure. BirdDog delivers a range of cameras embedded with this technology, a range of converters that allow non-NDI cameras, computers and other sources to be retrofitted with this technology, a multitude of accessories that connect products, and various software platforms and workflow tools for augmenting NDI A/V deployments with complementary technology such as SRT and WebRTC. Once connected, these products then allow significantly higher-quality video production with broadcast capabilities and interoperability, with seamless device discovery and remote-control operation.

By way of some examples, Zoom endorses BirdDog's mini converters as recommended hardware for the installation of its ProAV 'Zoom Rooms', with 4 – 6 BirdDog Mini's required across four unique Zoom Room designs. Zoom has also recommended BirdDog's products to the NBA, where it has since rolled out its P100 Camera as mandated technology to all 30 NBA teams including in-game Ref Cam, streaming 'live to air' direct from BirdDog's P100 cameras. Finally, BirdDog has provided Netflix with its P100 Cameras for animation motion capture and crew interaction. Netflix is also in the process of rolling out the BirdDog Cloud and its new Cloud Connect application platform.

As already mentioned, we contributed \$2.5m to its pre-IPO capital raising of \$12.75m, with the Company targeting an IPO and listing in late 2021. The capital is primarily being used to fund a combination of inventory build/working capital, acceleration of R&D activities, additional headcount and marketing investment. Underpinning our confidence in this investment opportunity, we were able to independently validate (via industry experts) the significant potential of the NDI technology opportunity, the superior competitive position of BirdDog's products and the high quality of its management team. BirdDog has a clear first mover advantage in the roll out of NDI-enabled Broadcast and AV technology and appears set to continue to reap the benefits of this into the foreseeable future. As such, we concluded that it represents a compelling investment for our Pre-IPO Fund.

Portfolio characteristics



Please get in touch should you have any queries regarding the above. Thanks again for your interest and support and I look forward to providing another update in early October on our activities and performance during the September quarter.

Kind regards,

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