

# Accessing Innovative and Disruptive Private Companies

Managed by Jupiter Investment Management Limited

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## STRONG TRACK RECORD:

125% NAV growth since IPO<sup>1</sup>

## SIGNIFICANT COMPANY REVALUATIONS:

Klarna (Mar & Jun) and Starling (Mar) saw major mark-ups following their funding rounds

## SUCCESSFUL FUND RAISE:

Following Sep20 £95m raise, a further £300m was raised in Mar21

## CAPITAL COMMITTED:

Following March raise, three follow-ons and one new investment undertaken, committing c£155m

## STRONG NEW OPPORTUNITIES PIPELINE:

Two new opportunities under active consideration/late-stage DD

UNPARALLELED OPPORTUNITY TO  
CONTINUE TO DEVELOP CHRYSALIS

We are at the forefront of a massive market opportunity

<sup>1</sup>To Mar 2021, adjusted for Klarna uplift (net of estimated fees) announced 10 Jun 2021

Past performance is not a guide to future performance. The value of investments can go down as well as up and is not guaranteed.



**Current position**

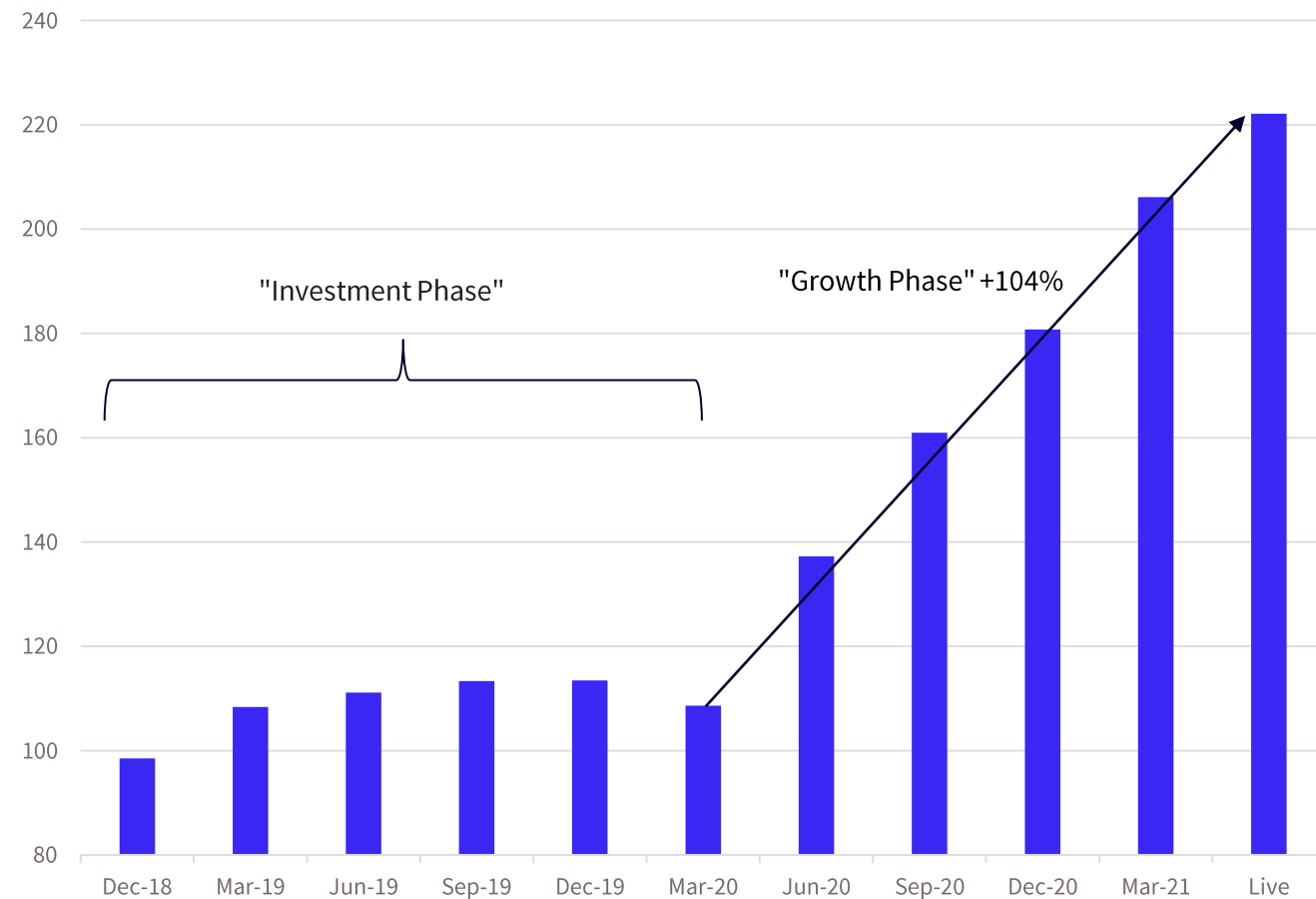
chrysalis  
investments



# Strong NAV growth since IPO

NAV driven by the performances of multiple assets

## Quarterly NAV per share (NAVPS) performance since IPO



Source: Chrysalis Investments, as at Mar 2021, "Live" represents the Mar21 NAV, adjusted for the estimated net impact of the Klarna revaluation in Jun21

- Significant NAV performance has continued, driven by revaluations of key assets
- Funding rounds from Klarna, Starling, Graphcore and wefox validate NAV marks
- In combination with THG (listed) these funding rounds underpin 60% of the current NAV
- Over year to Mar21, blended revenue growth in the portfolio was >70%
- This growth is key for continued NAV performance

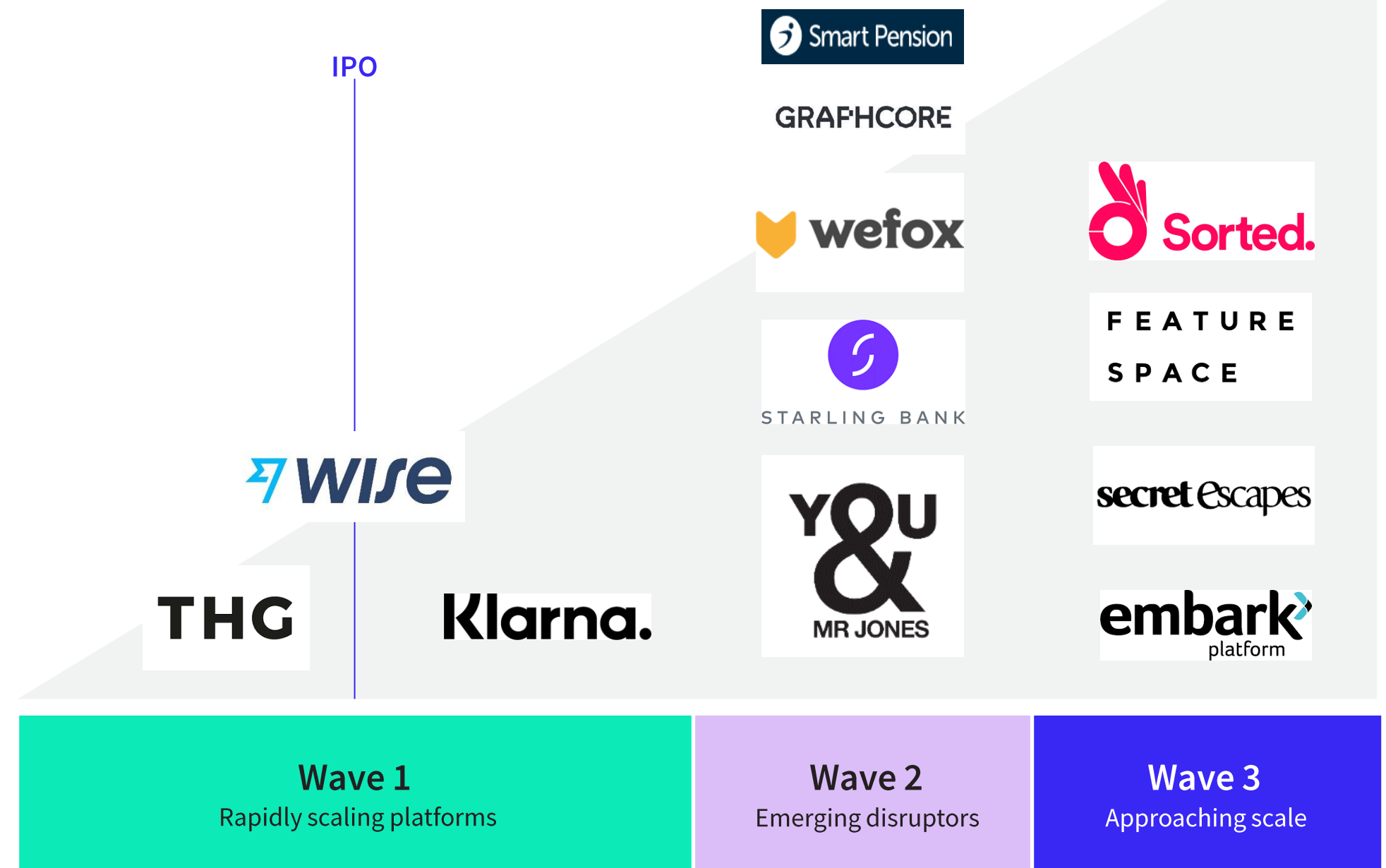
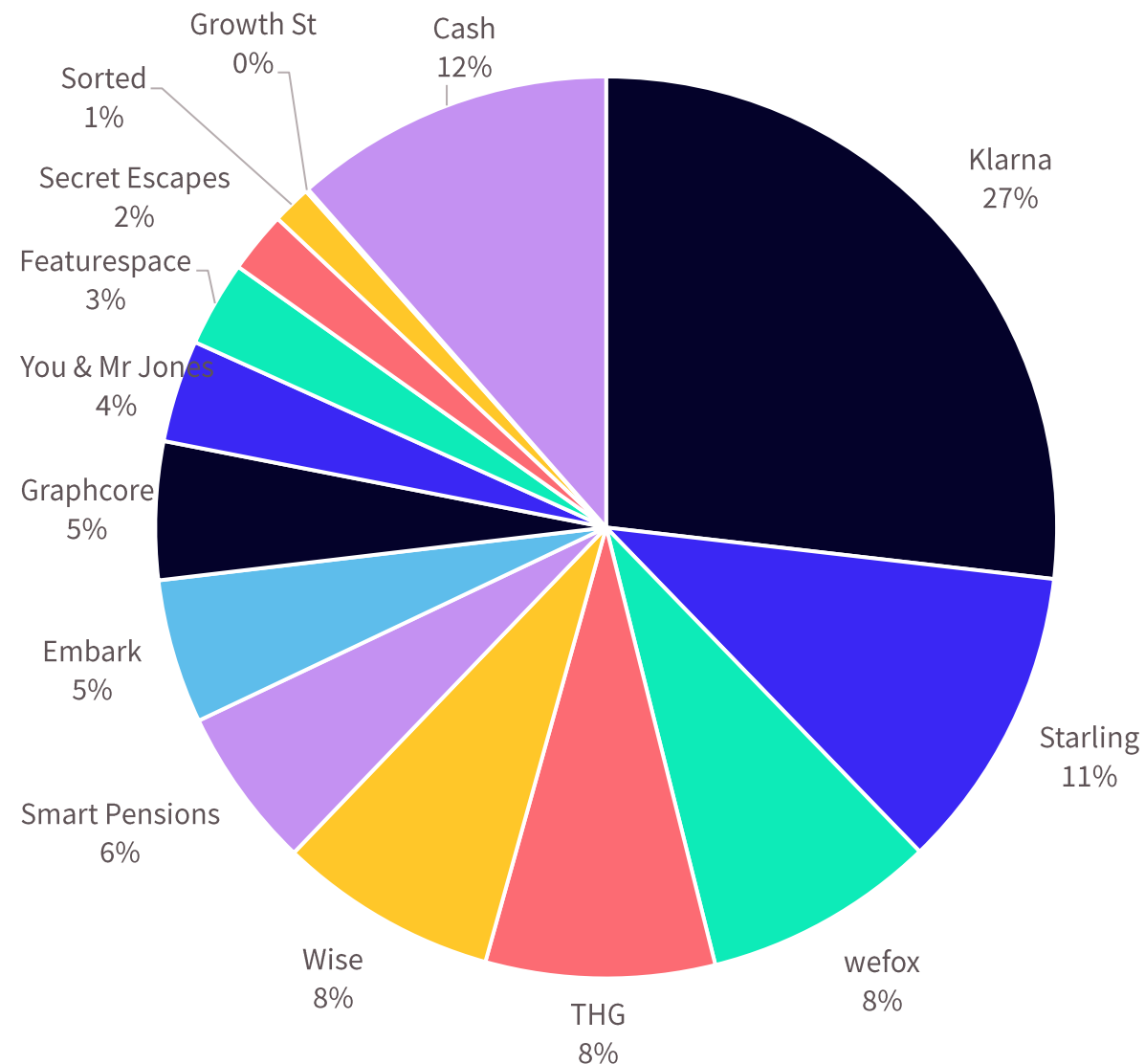
## Thematic trends underpin NAV growth

Past performance is not a guide to future performance.  
The value of investments can go down as well as up and is not guaranteed. Holdings examples are not a recommendation to buy or sell.

# Portfolio composition and stage

Strong future IPO contenders

Fund split as of Jun 2021



Source: Chrysalis Investments. Holding sizes, as of 22 June 2021, are calculated using 31 March 2021 valuations, adjusted for FX as of 22 June 2021 and capturing transactions concluded post the NAV calculation period, and thus using cash as of 22 June. The holding value of THG is based on the closing share price of 623.5p, as at period end. Due to rounding the figures may not add up to 100%.

**Holdings examples are not a recommendation to buy or sell.**



# Significant near and medium term opportunities

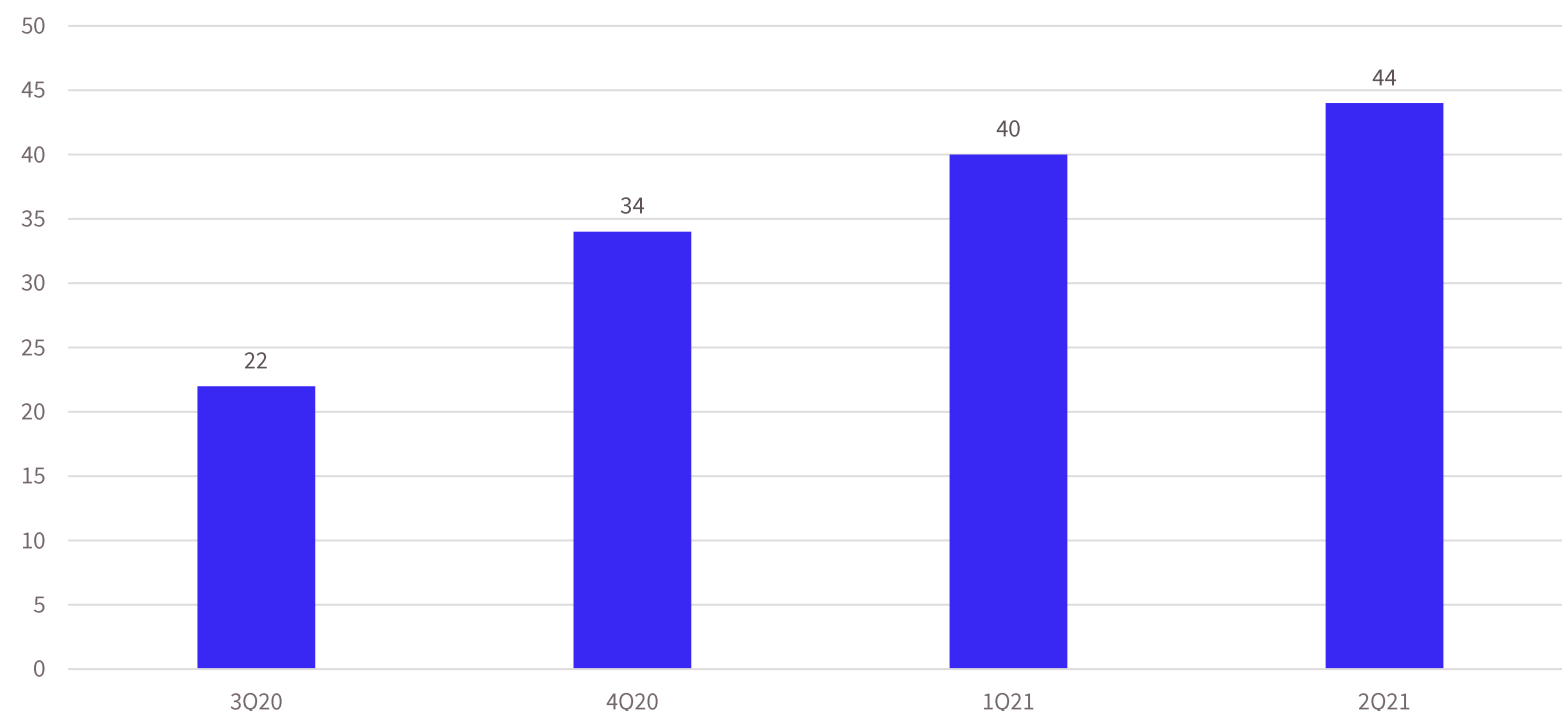


# Deal Flow

Excellent deal flow origination

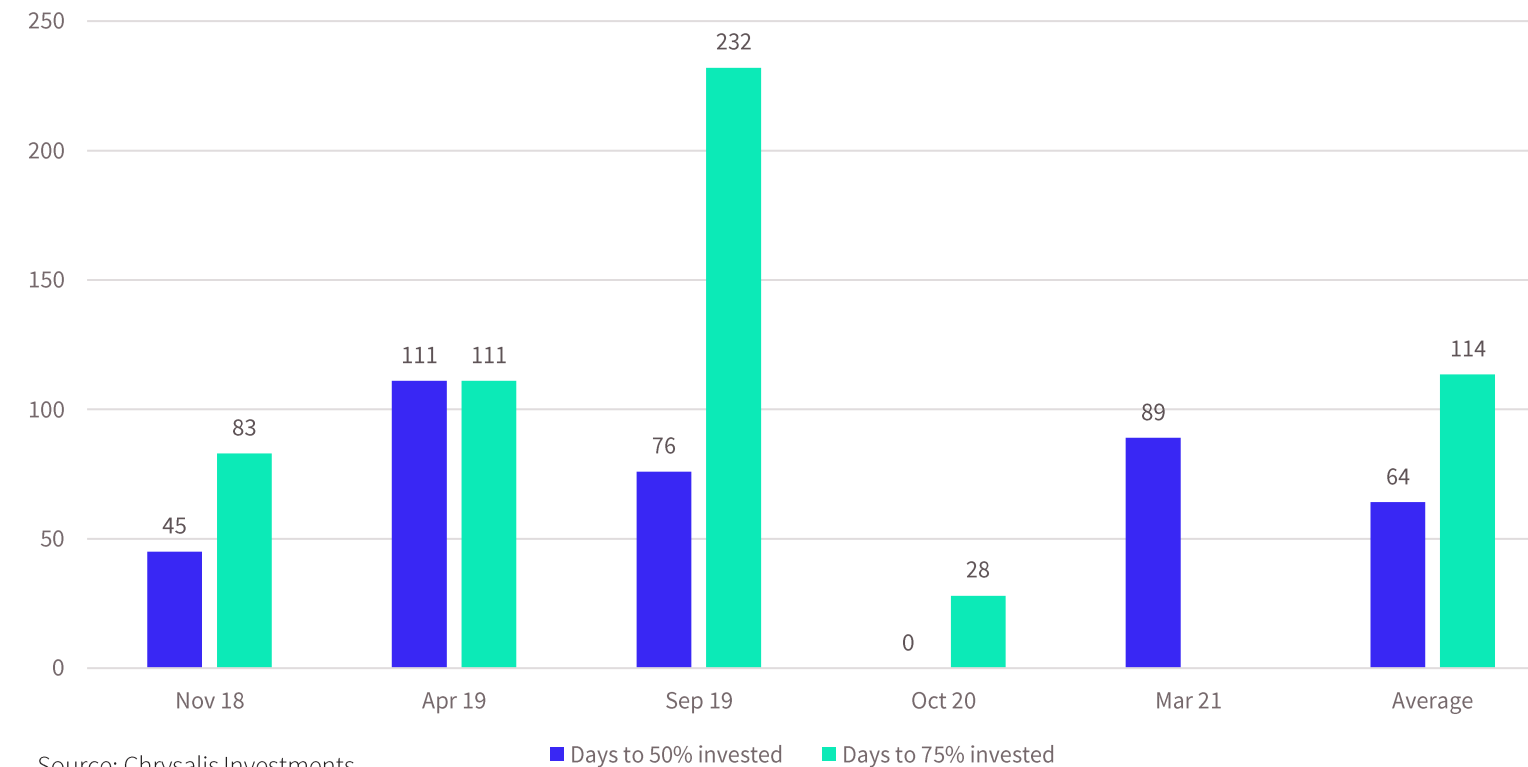
- Chrysalis is enjoying the benefits of scale; at >£1bn of NAV, we are getting early access to deals on a more global basis
- In the current quarter, we have been shown approximately twice as many deals as we did last year
- This has led to the team building a very strong pipeline of opportunities and becoming even more selective
- Chrysalis has demonstrated its ability to deploy capital rapidly and, on average, it has taken us 114 days to become 75% invested following a funding round
- Following our recent funding round, it has taken 89 days to deploy c50% (c£155m) of the capital

Number of deals assessed per quarter over LTM



Source: Chrysalis Investments

Days taken to be 50% and 75% invested following previous fund raises



Source: Chrysalis Investments

■ Days to 50% invested ■ Days to 75% invested

# Deal Pipeline

Strong pipeline of well-progressed opportunities

- Chrysalis has already completed three<sup>1</sup> deals in 2021: one is a new addition to the portfolio and two are follow-on investments
- We are well progressed with two other new investments and the due diligence is complete on both; legals are being finalised
- While we are confident of closing these deals, there is no certainty at this point
- We have also identified two other attractive assets that we are progressing

## Summary of deals and complete and near-term opportunities

Company	Sector	HQ	£m <sup>2</sup>	Description	Comment
<b>Completed</b>			<b>155</b>		
wefox	Insurance	Berlin	26	Digital insurance platform	Completed a €30m follow-on investment
Starling	Banks	London	35	Digital challenger bank	Completed a £35m follow-on investment
THG	eCommerce	Manchester	19	eRetailer and brand owner	Participated in recent placing
Smart Pensions	Software	London	75	Workplace pensions and auto-enrolment platform	Completed a £75m investment
<b>Latter Stages of DD</b>			<b>93</b>		
Project Cyber	SaaS	US	48	Cybersecurity company	Due diligence complete, still in legals
Project Retailer	Consumer	UK	45	Multichannel branded retailer	Due diligence complete, still in legals
<b>Earlier Stages of DD</b>			<b>80</b>		
Project IT	IT Services	UK	40	Supplier of consumer technology products	Ongoing due diligence
Project Data	SaaS	UK	40	Data platform	Ongoing due diligence

<sup>1</sup> Excluding THG which was undertaken as a top-up trade in the listed shares

<sup>2</sup> Non-completed deals are estimated commitments

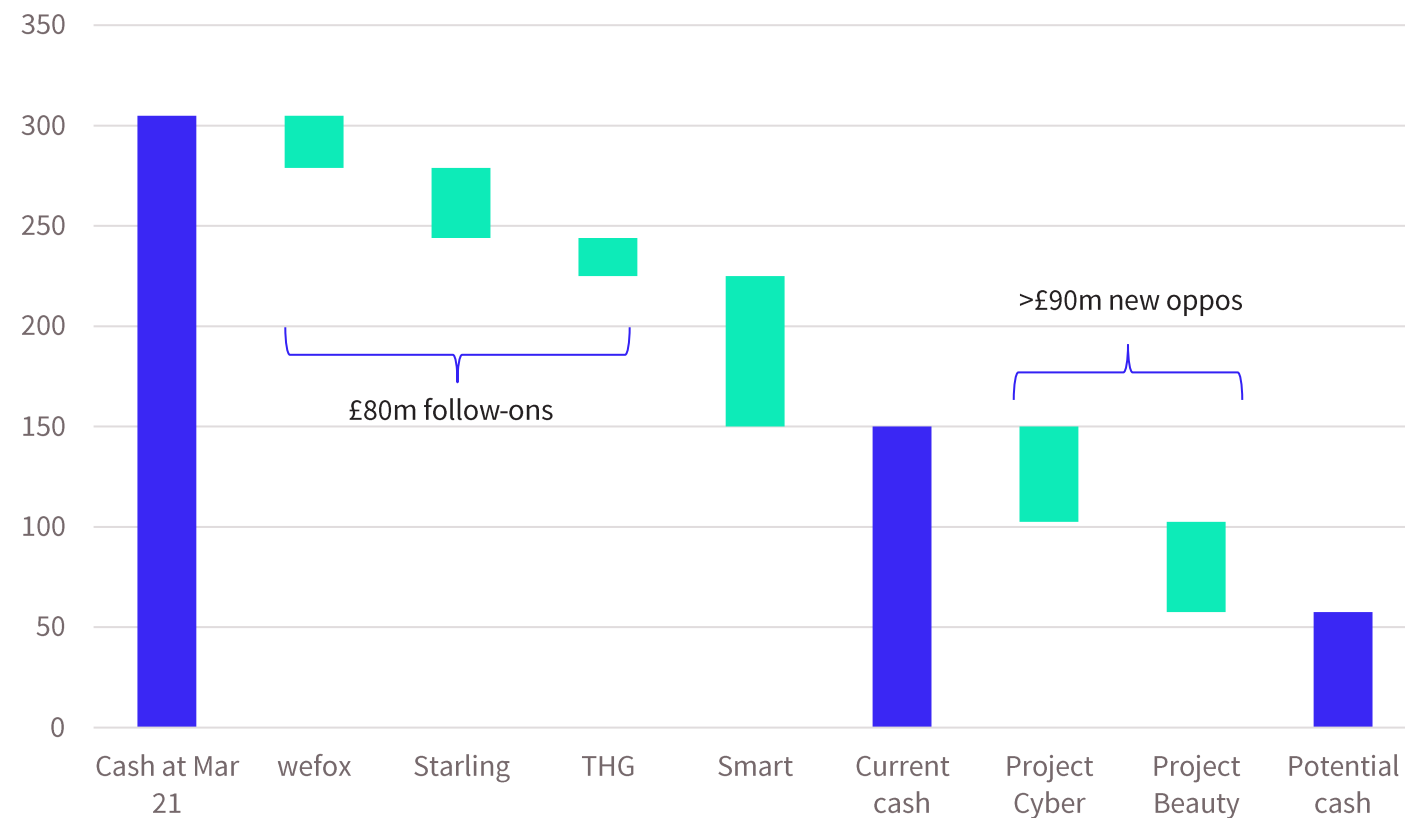


# Liquidity Profile

Strong cash and liquidity position

- Since the Mar21 raise, we have utilised approximately £155m, across £80m follow-ons and the £75m investment in Smart
- We have ample capacity to undertake our two late-stage DD potential investments
- The Company has a strong liquidity position to continue investing in pipeline
- If Wise IPOs, the liquidity position will improve further

Current cash balance and cash requirements (£m approx.)



Source: Chrysalis Investments

Liquidity sources (£m approx.)



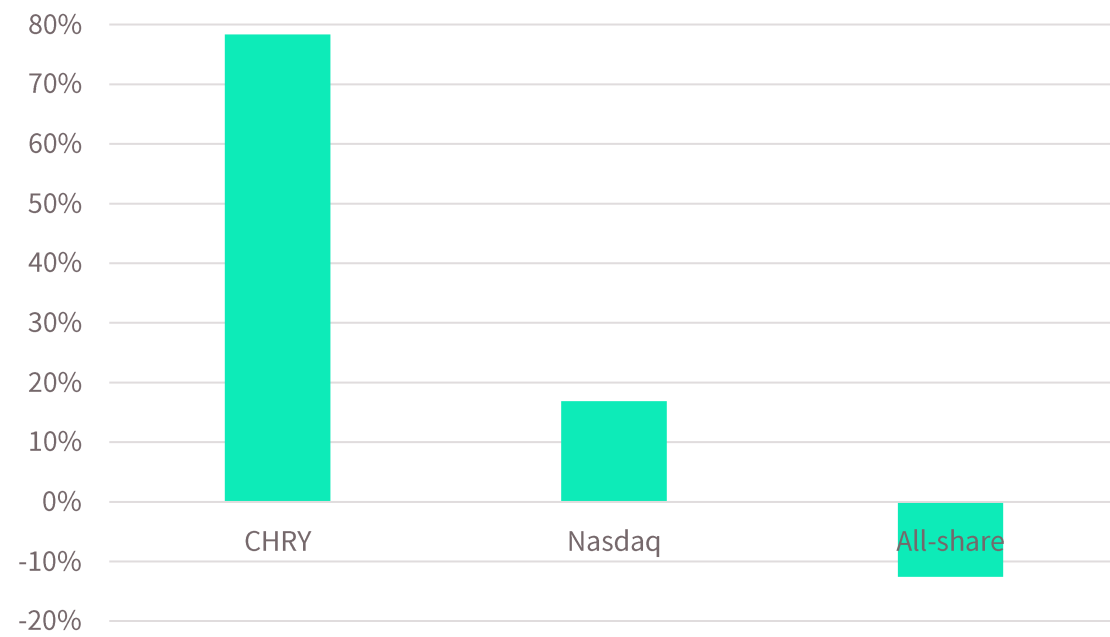
Source: Chrysalis Investments

# Building an international, high-growth portfolio

Geographically diversified

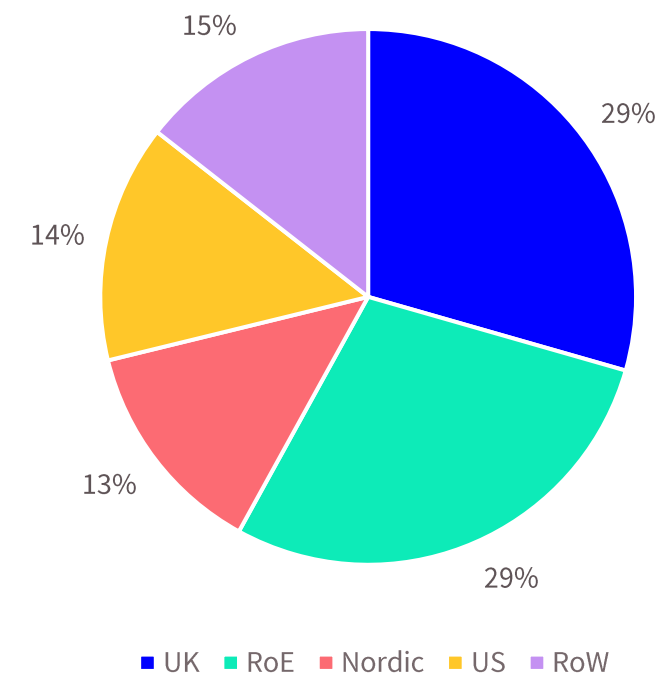
- Portfolio has substantial growth potential, with typically materially faster growth rates than listed markets
- Over the year to March 2021, the average blended portfolio revenue growth rate was >70%, substantially faster than the NASDAQ (+17%) and the wider UK market, which contracted (-13%)
- Persistence of this level of growth should underpin the ability of Chrysalis to deliver further NAV growth from the current portfolio
- Portfolio is well diversified by geography; our focus remains on pan-European opportunities and US special sits

Revenue growth of Chrysalis Investments vs wider UK market and NASDAQ\*



Source: Chrysalis Investments and Peel Hunt as at Mar 2021  
\* Chrysalis Investments blended revenue growth based on Mar 2021 asset weightings  
**Holdings examples are not a recommendation to buy or sell.**

Chrysalis Investments Portfolio Sales by Destination (Year to Dec2020)



Source: Chrysalis Investments

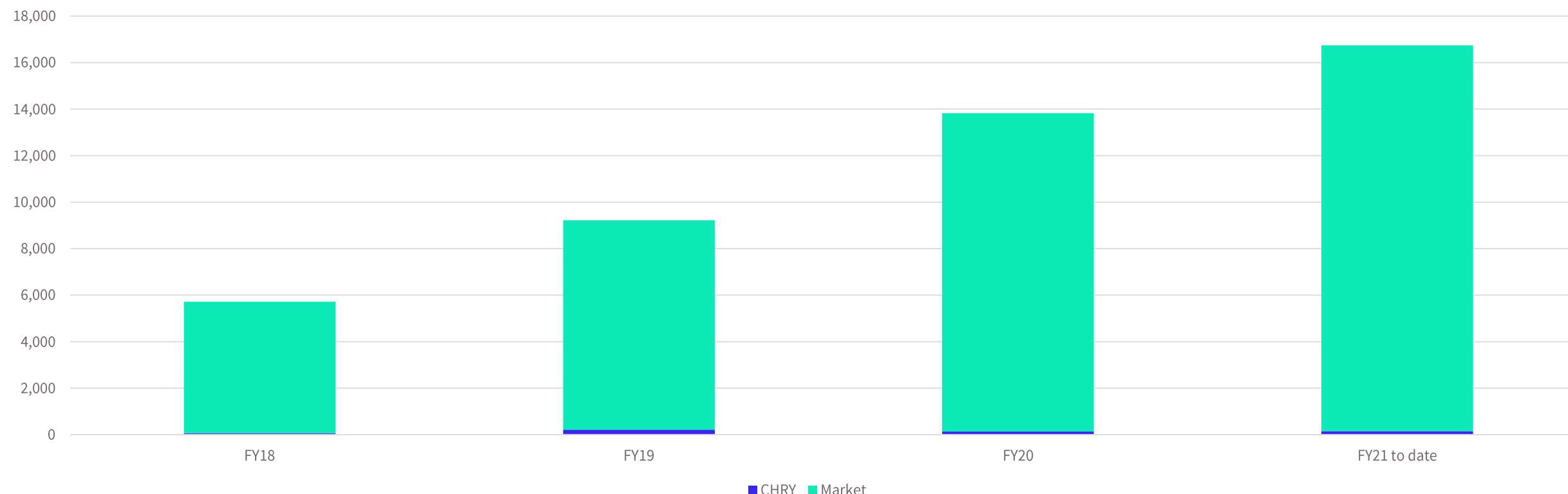


# We are only scratching the surface of the opportunity

Substantial potential remains

- Despite our strong growth, our market share in Europe remains low, due to significant expansion in the market
- Our crossover proposition is key: it has given access to some of the most exclusive deals in the market, such as Klarna, THG and Wise
- Interest in crossover investing is growing; we have definitive first-mover advantage, backed by our exceptional listed experience. It is very hard to build a cohesive proposition like Chrysalis to scale, requiring track record, significant listed firepower, and strong process
- We have a very exciting pipeline and substantial liquidity to execute it
- We believe we are still in the early stages of developing Chrysalis; the blurring of the lines between private and public continues...

European late-stage market and Chrysalis market share (£m)<sup>1</sup>



Source: Chrysalis Investments

<sup>1</sup> Defined as Northern and Western Europe, deals over \$25m in size. CHRY shares excluded You & Mr Jones (US)

# Scratching the surface

Chrysalis has first mover advantage in a highly exciting, evolving market



## Current portfolio offers significant future growth potential

Many holdings have demonstrated exceptional recent growth; prospects remain very bullish in our view

Klarna is currently one of the most sought after investments globally and is experiencing accelerating growth

Wise's potential IPO would mark a second, hopefully successful, culmination to a Chrysalis investment and further validate the proposition



## Deployed c50% of recent raise- cash and liquidity positions very robust

We have made three follow-ons and one new investment since the March fund raising

This continues our track record of deploying raises in a timely manner

Likely to remove



## Excellent pipeline

We have two new investments in late stage DD, which would add further diversity to the portfolio if completed

Further to that, we have two other assets we are working on and we continue to see significant deal flow via our origination network

We are well on track to hit our target of adding 1 to 3 new units per annum



## Market moving in our favour: Chrysalis is exceptionally well placed to capitalise

The late-stage private market continues to scale and develop; entrepreneurs are actively seeking long-term providers of capital

A number of VCs are looking to launch late-stage funds, in order to stay relevant to this companies; the nearer they get to IPO, the more it falls into our bailiwick



## New placing programme will allow Chrysalis to pursue these opportunities and build on the base established over the last two years

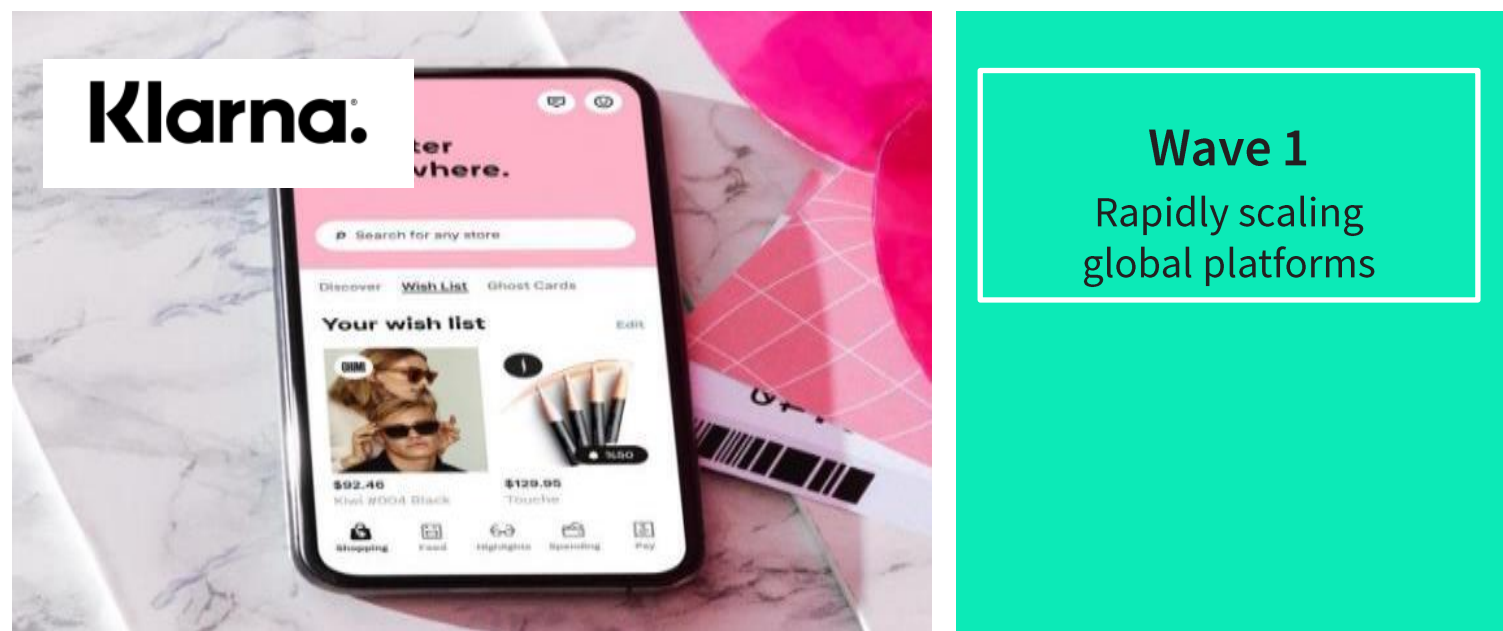


# Companies



# Klarna

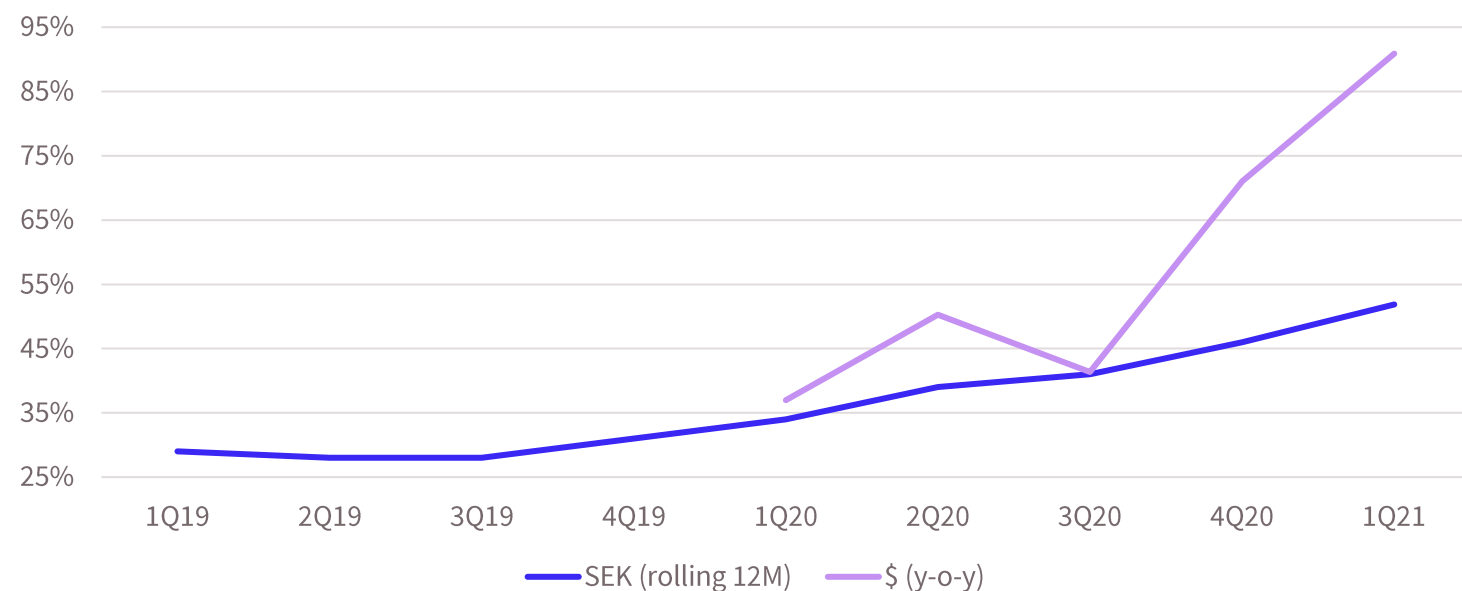
27% position\*: scaling towards IPO?



## Key highlights and update

- ⌘ Klarna has seen growth materially accelerate over the course of 2020 and into 2021, driven by the US
- ⌘ In the US, BNPL<sup>1</sup> has low penetration and is becoming a bigger part of Klarna's business. In 1Q21, the US saw "exceptional momentum" and customer numbers double yoy to 17m in April
- ⌘ This has supported two substantial funding rounds in 2021, the latest at a \$45bn pre new-money valuation in June
- ⌘ These funding rounds have closed last year's valuation anomaly, which saw Klarna trade on a substantial discount to peers, but Klarna's growth rate has now accelerated and we typically observe market leaders trading on substantial premia to peers.
- ⌘ US has low penetration to BNPL at only c1% in 2019, vs EMEA at c6%<sup>2</sup>
- ⌘ Given current growth rates, (1Q21 \$GMV up >90%) we still see substantial upside to Klarna's valuation

## Gross merchandise volume growth (YoY)



Source: Klarna  
\* As of Jun 2021

<sup>1</sup> Buy Now, Pay Later <sup>2</sup> WorldPay Global Payments Report <sup>3</sup> Paypal offers some BNPL services in certain markets <sup>4</sup> For illustrative purposes only, assumes recent GMV growth trends drive revenue growth rates in 2021 and 2022.

**Holdings examples are not a recommendation to buy or sell.**

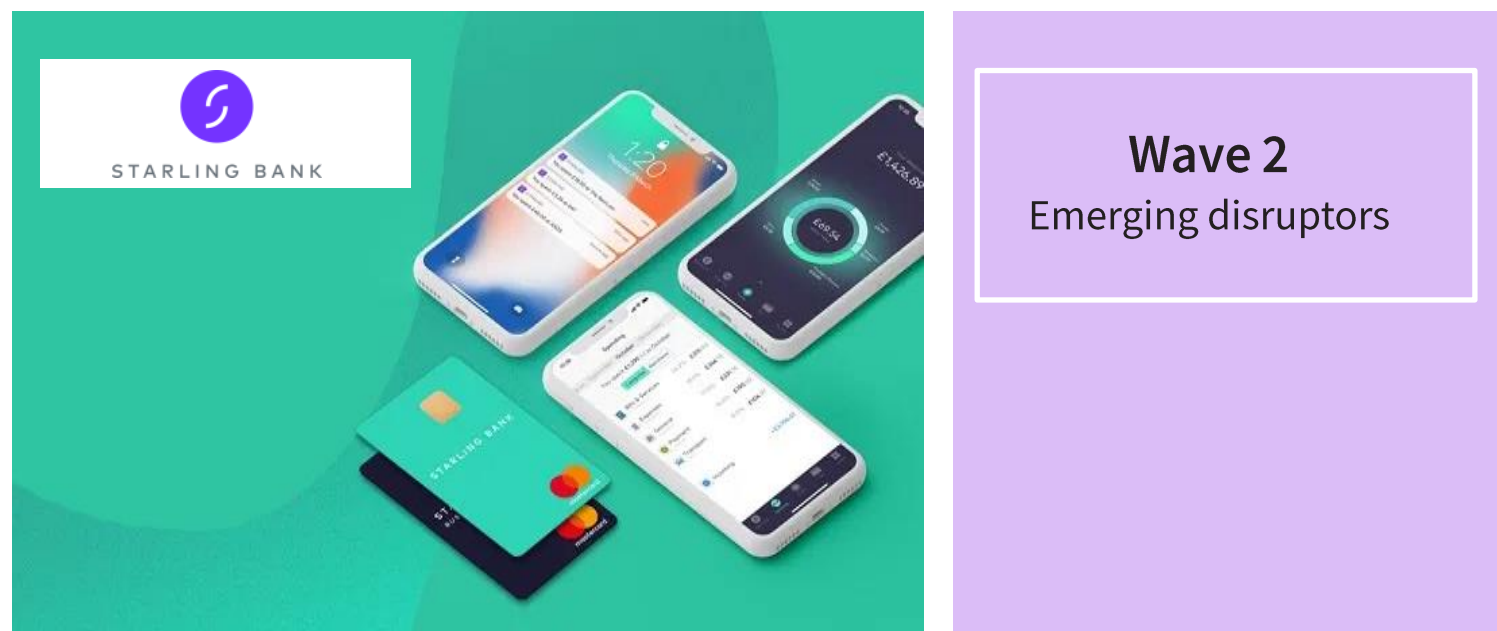
## BNPL peer valuations

CY22 annualised	EV \$bn	Sales \$m	EV/sales	FY 20-23 sales CAGR
Klarna	43.1	3,360 <sup>4</sup>	13x	
Afterpay	25.3	1,188	21x	55%
Affirm	17.5	1,269	14x	32%
Zip	4.5	514	9x	62%
Paypal <sup>3</sup>	328.1	31,427	10x	21%
Ave ex Klarna			14x	42%

Source: Bloomberg estimates and Chrysalis Investments. Data as of 21 Jun 2021

# Starling Bank

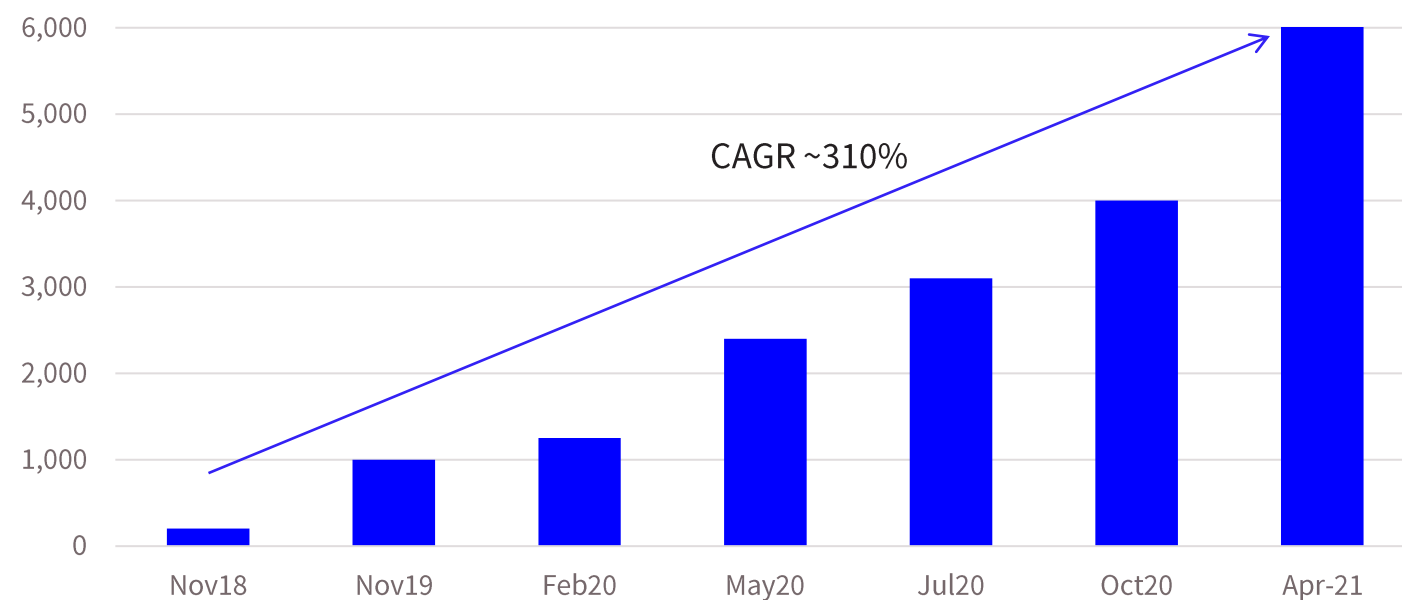
11% position\*: outstanding recent growth, now profitable



## Key highlights and update

- Starling generated ARR of £145m in Jan21, up 400% yoy, and annualised operating profit of £18m
- Total number of accounts as of Jan21 greater than 2m, significantly in excess of our expectations set in 2019, including 300k SME accounts
- >£2bn of lending on the balance sheet in Jan21, with the vast majority to SME under government backed schemes, which has driven strong revenue growth
- Despite low implied LDR of 37% the bank was profitable, demonstrating cost of funding and cost-to-serve advantages over incumbents
- Major funding round undertaken in Mar21. Led by FMR, this included QIA, RailPen, Millennium and Goldman Sachs
- Funding will be used to accelerate growth and to allow consideration of European expansion and M&A

## Customer deposits (£m)

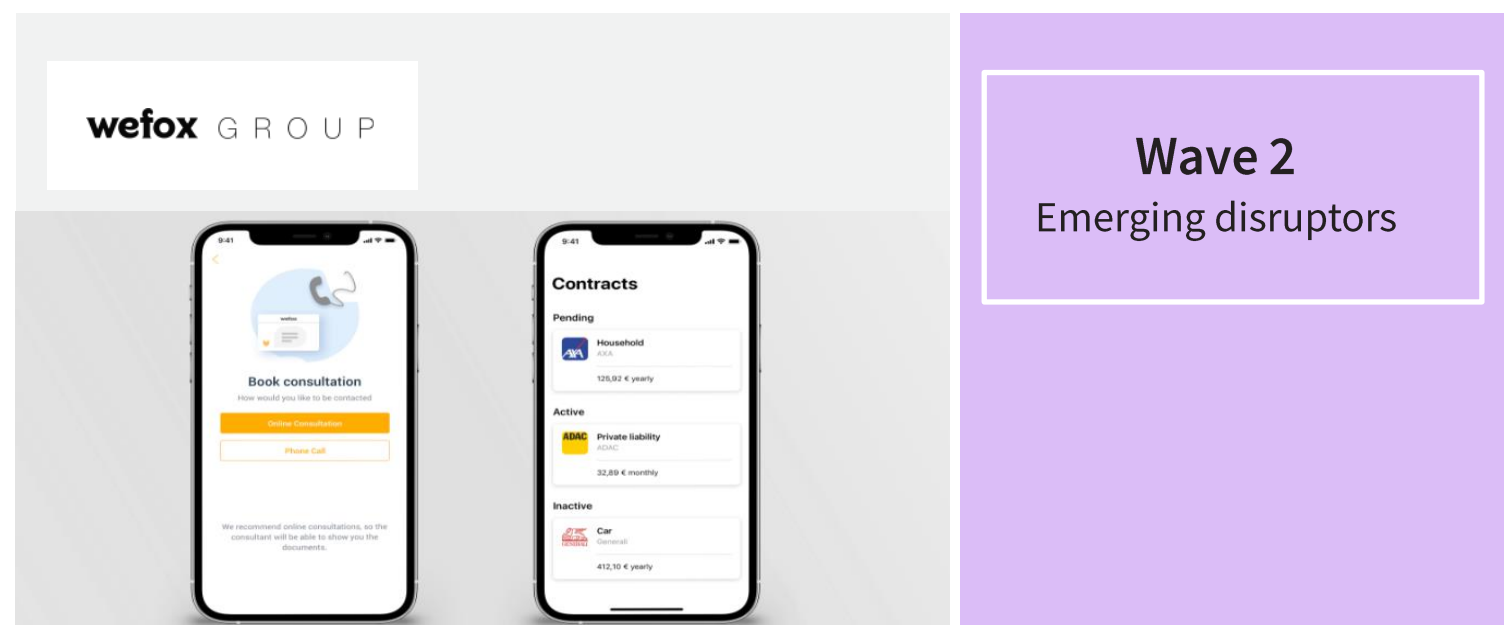


Source: Starling Bank, Companies House.

\*As of Jun 2021

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## Key highlights and update

- wefox performed very strongly through 2020, doubling revenues organically and via M&A
- wefox expects to achieve revenues of \$336m<sup>1</sup> in 2021, more than doubling again
- This drive towards profitability differentiates the company from US competitor Lemonade
- This strong performance led to a 4x oversubscribed funding round in Jun21 at a post new-money valuation of \$3bn, which raised \$650m
- Strong interest in InsureTech assets in the listed market: Despite some softening in early 2021, Lemonade's share price is still up c400% since listing in July 2020
- Based on last reported funding round for wefox (Jun21), its valuation is c7x trailing EV/sales (CY21), despite its exceptional growth profile and likely long-term margin structure

## Insurtech peer valuations

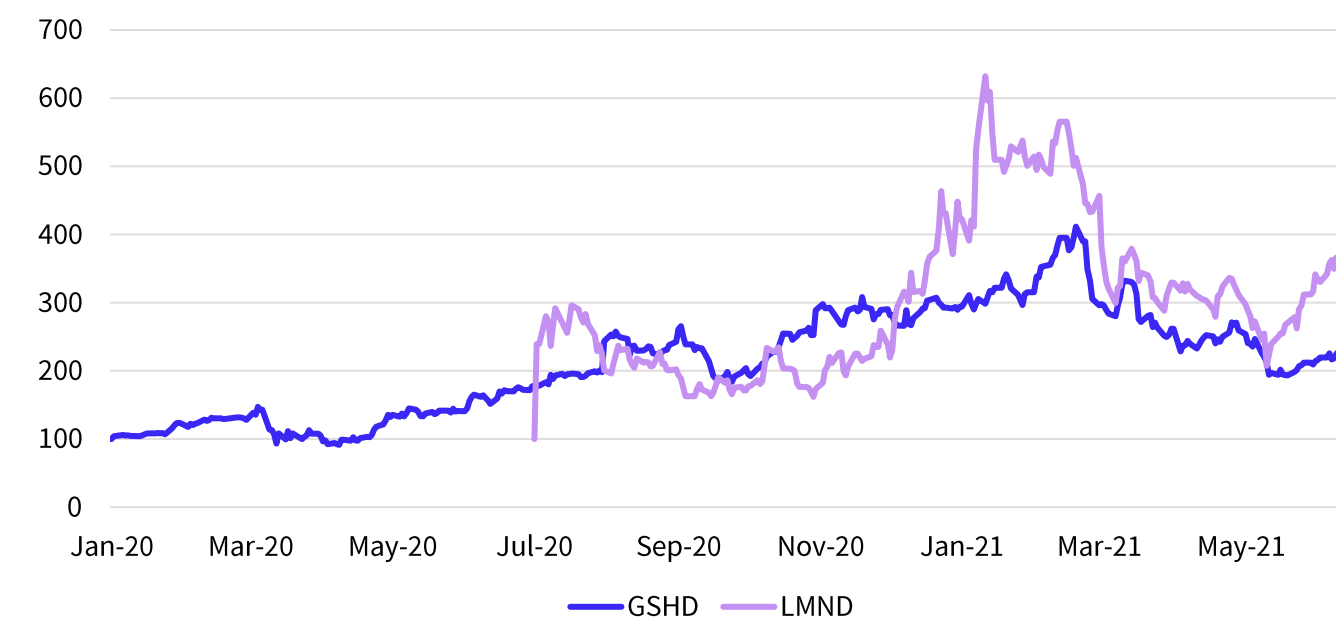
CY21 (est)	Sales (\$m)	EV/sales	Sales growth (CY21)	MV (\$m)
wefox	336 <sup>1</sup>	7x	>100%	2,415
Lemonade	121	43x	28%	6,314
Goosehead	155	29x	32%	4,360
Ave ex wefox		36x	30%	

Source: Bloomberg and Chrysalis Investments, as of 21 Jun 2021.

\* As of Jun 2021

<sup>1</sup> Source: [Insurtech Wefox Expects 2021 Revenues to Reach \\$336 Million \(businessinsider.com\)](https://www.businessinsider.com/wefox-expects-2021-revenues-to-reach-336-million) (16 Dec 2020)

## Share price performance (indexed) of listed peers since Lemonade IPO date



Source: Bloomberg and Chrysalis Investments

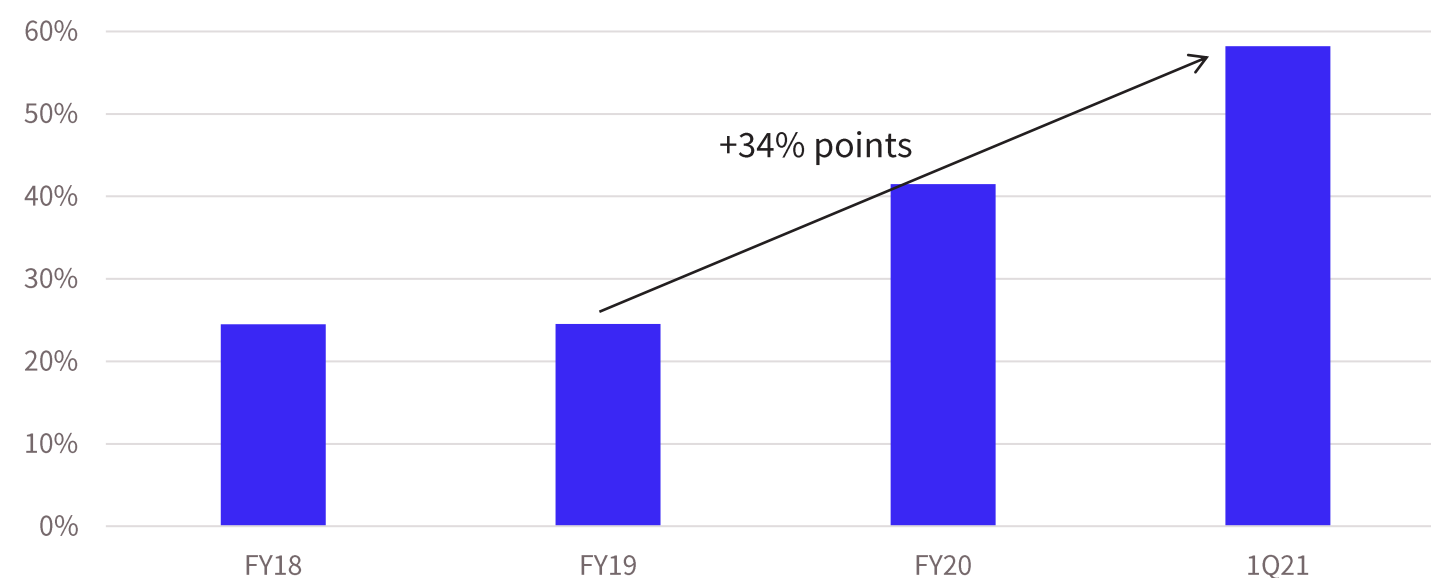
# The Hut Group

8% position\*: validation of Chrysalis' crossover proposition



**Wave 1**  
Rapidly scaling  
global platforms

## Group revenue growth (YoY, Y/E: Dec)



Source: THG Investor Relations  
\*As of Jun 2021

Holdings examples are not a recommendation to buy or sell.

## Key highlights and update

- THG continued to perform strongly post listing, reporting 1Q21 revenue growth of 58% (including Ingenuity Commerce at 188%) versus 42% in 2020
- Several pieces of complementary M&A were undertaken, including Dermstore (1x sales), Perricone (1.8x sales) and Bentley (17x FY22 EBITDA)
- Major collaboration and \$1.6bn investment agreed with SoftBank, valuing Ingenuity at \$6.3bn. In addition, \$1.05bn raised via a placing led by SoftBank (\$730m), in which CHRY participated
- Based on Barclays forecasts, we estimate the floor price of Ingenuity set by SoftBank implies EV/EBITDA multiples of c19x and c16x for FY22 and FY23 respectively for the Brand businesses. This feels low to us, based on M&A optionality plus 25-35% growth forecasts in the market.
- Consensus estimates of sales and EBITDA have both seen consistent upgrades since IPO and currently project 30% revenue CAGR to FY23 and 9-10% EBITDA margins. This feels conservative to us.

## THG consensus forecasts and implied valuation

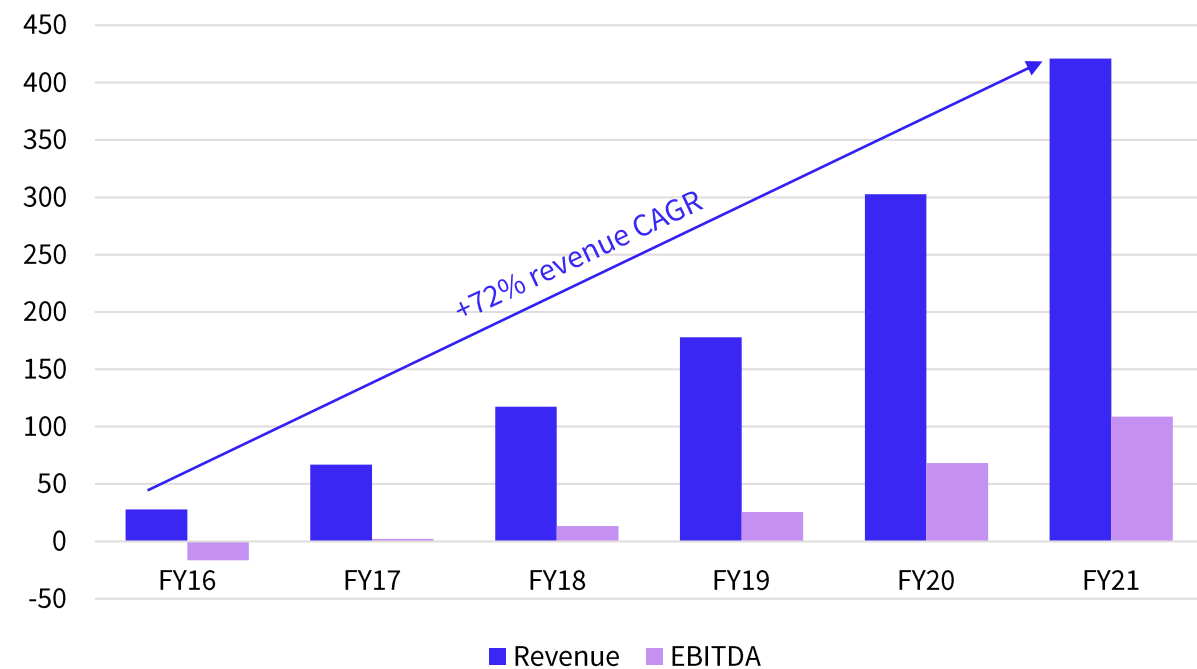
	CY20	CY21	CY22	CY23
Sales (£m)	1,614	2,227	2,828	3,523
Growth	42%	38%	27%	25%
EBITDA %	9.4%	9.3%	9.8%	10.0%
EV/EBITDA x		33	25	19

Source: Bloomberg estimates and Chrysalis Investments. Data as of 21 Jun 2021



**Wave 1**  
Rapidly scaling  
global platforms

## Revenue and net profit progression (£m, YE Mar)

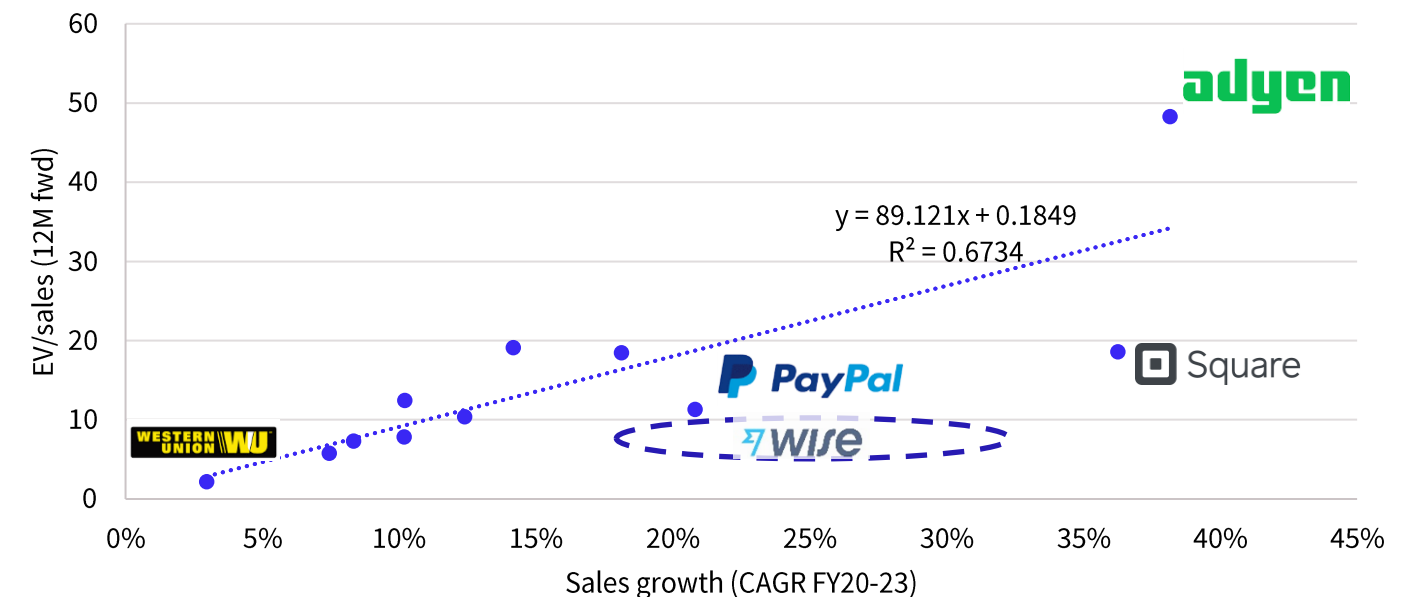


<sup>1</sup> Wide range of card schemes, merchant acquirers and software companies. Peer EV/sales falls to c12x absent Adyen (c50x) and Western Union (c2x).  
**Holdings examples are not a recommendation to buy or sell.**

## Key highlights and update

- ✧ The company completed a \$319m secondary share sale in July 2020 which valued the business at \$5bn, this represented a c43% uplift on the previous valuation round.
- ✧ At this time, this represented a theoretical EV/sales one year forward of <8x, versus simple average of valuation comparison group at >14x<sup>1</sup>. Peer group remains >14x sales
- ✧ Wise continued its strong growth over its fiscal year to Mar21, generating 39% revenue growth and expanding margins. Guidance for 20-25% future growth and margins around 20% seems conservative
- ✧ We believe there remains a significant runway for growth, and experience suggests margins have the potential to expand in the medium term
- ✧ IPO would drive further liquidity into the portfolio

## Peer group regression: EV/sales vs sales growth



Source: Bloomberg estimates and Chrysalis Investments. Data as of 21 Jun 2021



# Smart Pensions

6% position\*: Benefitting from a first mover advantage and regulatory tailwinds globally

## Need to ensure this has been announced

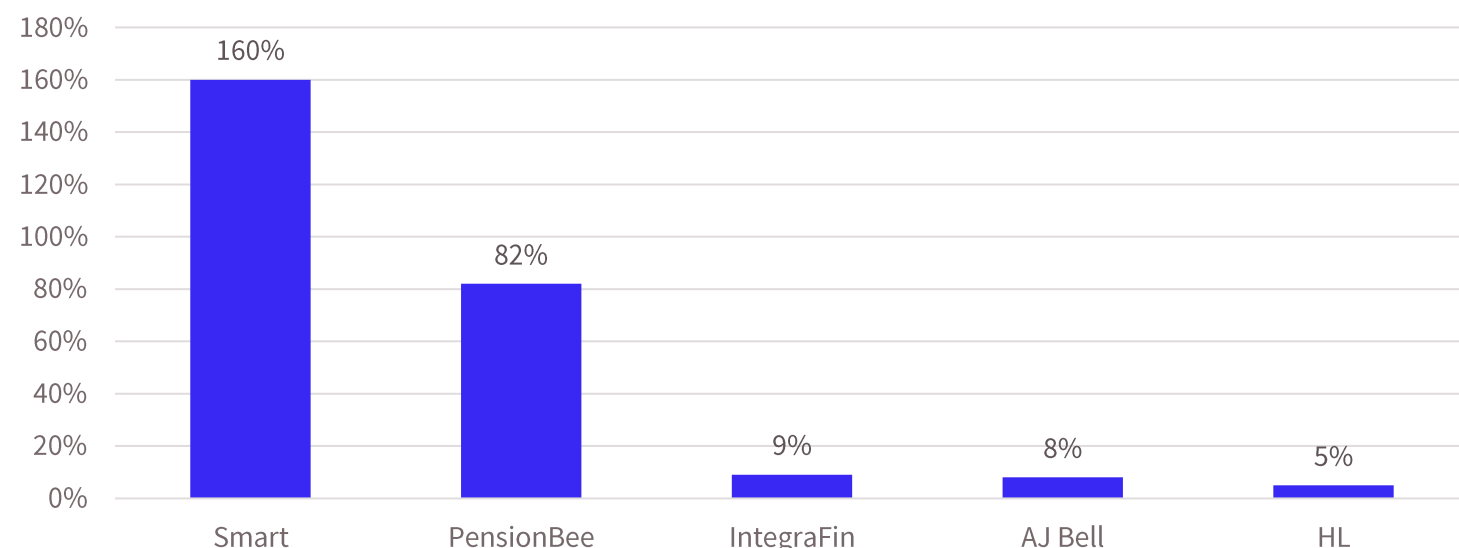


**Wave 2**  
Emerging Disruptor

### Company Overview

Smart is a pensions and retirement technology business based in London, UK  
The company was founded in 2014 and developed market-leading technologies to capture the UK auto enrolment opportunity created by legislative change (Pensions Act 2008)  
The company has subsequently evolved in to a platform provider and is now present in the US, Middle East, Europe and Australia  
We believe that Smart Pensions is the only provider, globally, that serves all jurisdictions with a single, modern cloud-based platform, purpose built for retirement  
The company has raised £100m to date and is the fastest growing asset we have met in this sector

### Latest full year reported AuM growth



Source: Companies and Chrysalis Investments  
Holdings examples are not a recommendation to buy or sell.

### Deal highlights

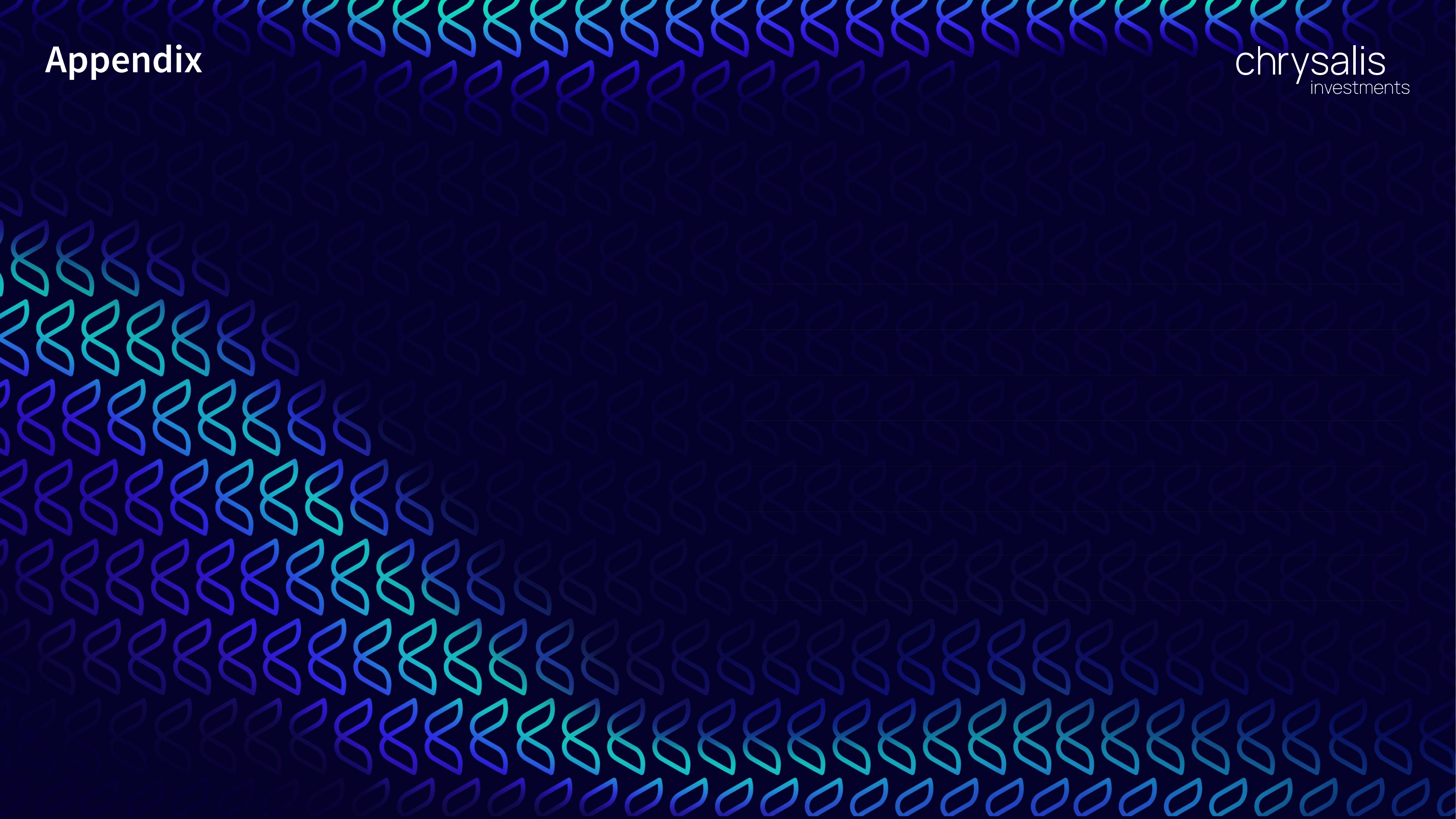
- Smart has announced a £165m Series D funding round
- Chrysalis led the round with an investment of £75m
- This is one of the largest funding rounds in the sector
- The funding round comprised of £110m of primary capital and £55m of secondary
- Existing investors in the company include Legal & General, J.P. Morgan, the Link Group and Barclays
- We completed this transaction outside of a formal process in approximately 7 weeks

### Investment highlights

- Increases our software (PaaS) exposure
- Has a global first-mover advantage in modern retirement technology
- A proven go to market strategy and track record of PaaS deployment
- A sticky business model with very high levels of recurring revenue that is resilient and has multiple growth levers
- Strong unit economics and a very clear roadmap to profitability



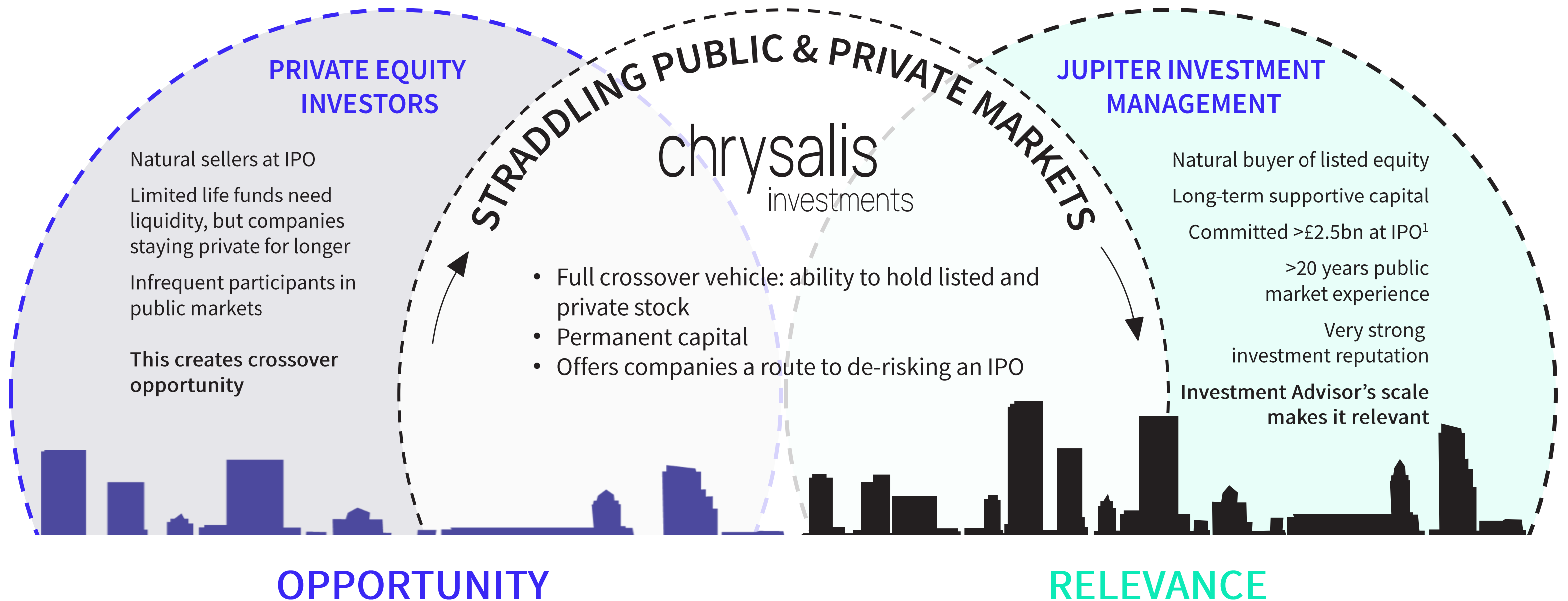
# Appendix





# Straddling public and private markets

Few market participants have the required relevance



<sup>1</sup> Since 2013- this relates only to the UK small and midcap team (formerly at Merian Global Investors).

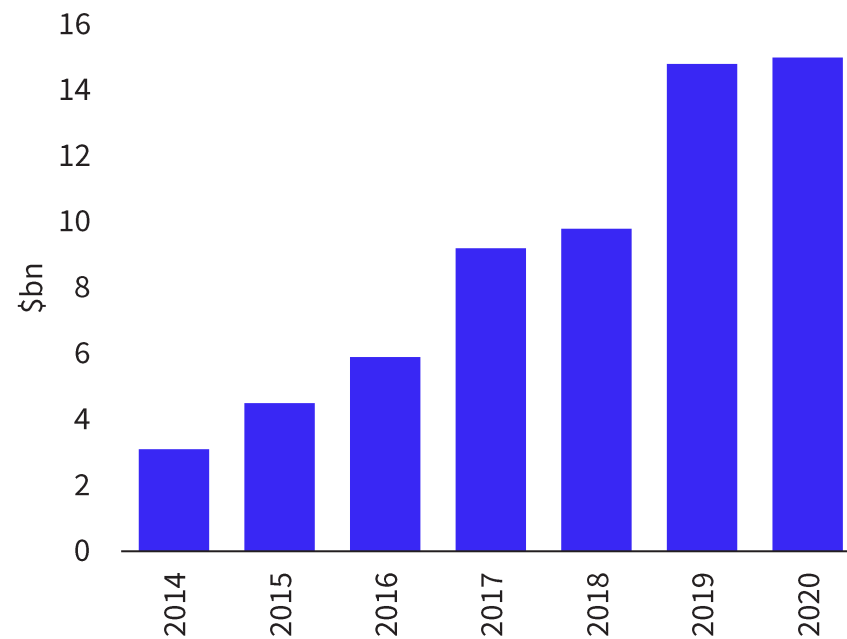


# The opportunity

Private for longer

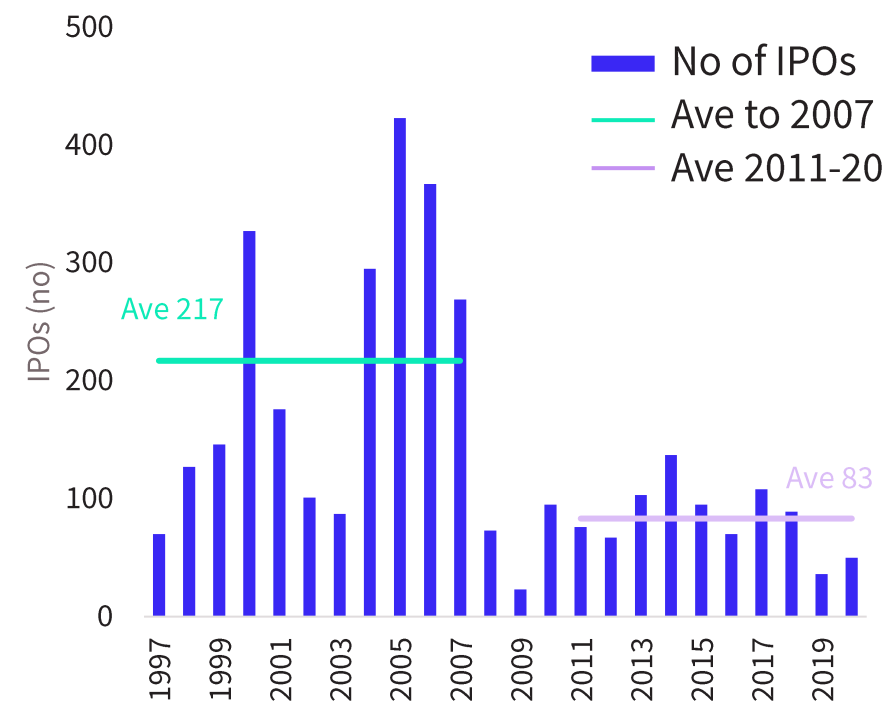
## Private markets attractive

The UK private securities market is growing in size and significance<sup>1</sup>



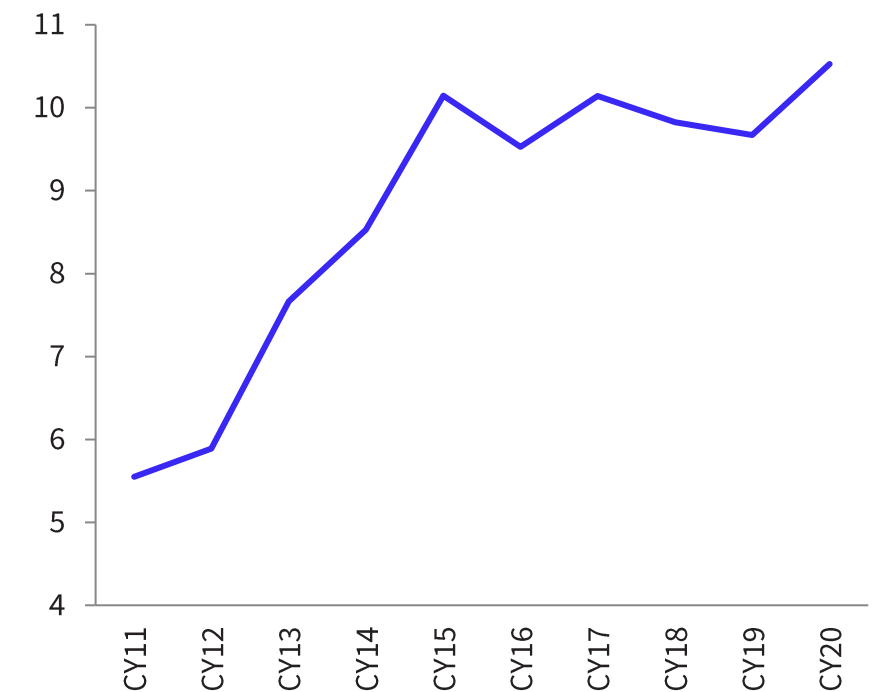
## Value curve

Total number of UK IPOs has fallen: private companies capturing value before IPO<sup>2</sup>



## Private for longer

Average age at exit for UK privately financed companies has increased<sup>3</sup>



The opportunity is huge and Chrysalis is very well positioned to capitalise on this

1 Source: Dealroom.co, as at December 2020.

2 Source: LSE & Chrysalis Investments, as at December 2020.

3 Source: PitchBook, to December 2020. Defined as duration from first engagement with private finance to subsequent exit. Exits >\$250m

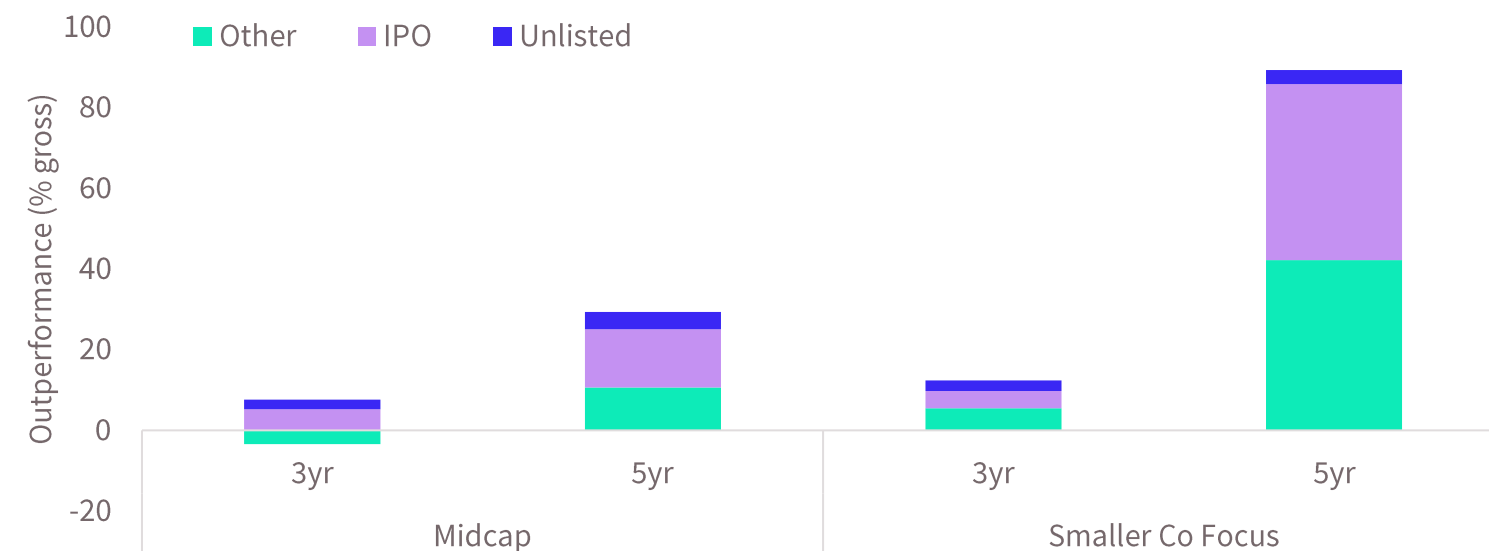
# Relevance – Investment Advisor has the required scale

Helping great companies access public markets

- The Investment Advisor targets the best companies it can find for its investors and clients, regardless of whether they are listed or unlisted
- Chrysalis Investments is the primary conduit for private investments

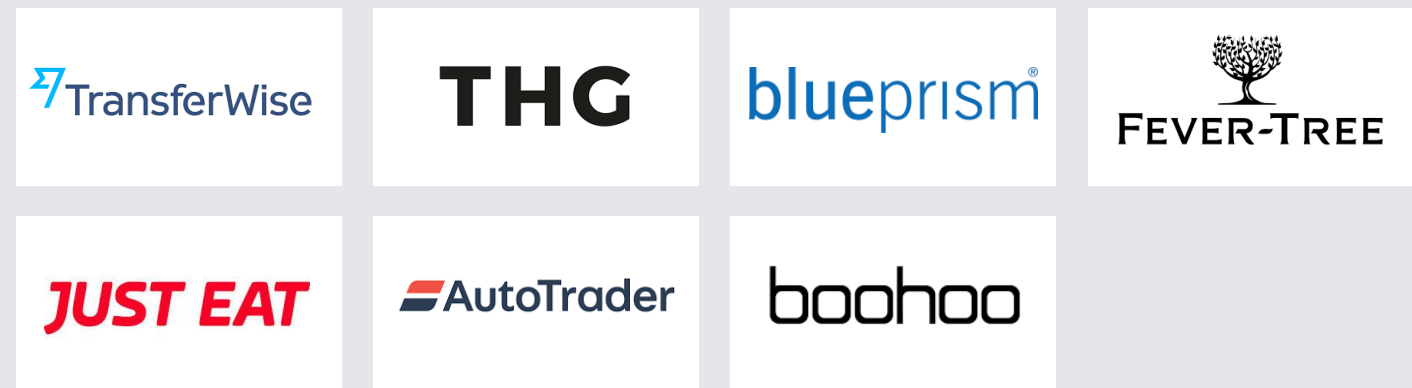
- For listed companies, and to assist at IPO, the Investment Advisor typically utilises its £6.5bn of capital focused on the UK small & midcap market, where nearly all UK IPOs occur<sup>1</sup>. It is one of the single largest players in this space
- Since 2013, the Investment Advisor has participated in approximately 65 IPOs, out of a relevant universe<sup>2</sup> of approximately 285 in the UK, committing over £2.5bn at point of IPO

## Contributors to relative performance<sup>3</sup>



Over the last five years, over 50% of Midcap and Smaller Companies Focus Funds' outperformance has been driven by IPO and Unlisted<sup>4</sup>

Great companies that have driven performance include:



## Investment Advisor spans both public and private markets

<sup>1</sup> only 3 of 688 IPOs since 2013 have been large enough for immediate FTSE100 inclusion.

<sup>2</sup> defined as IPOs >£50m in size, excluding investment companies

<sup>3</sup> Outperformance versus respective benchmark indices; "unlisted" includes Chrysalis Investments, and THG post IPO

<sup>4</sup> Jupiter UK MidCap Fund is managed by Richard Watts; Jupiter UK Smaller Companies Focus Fund is managed by Nick Williamson

Past performance is not a guide to future performance. The value of investments can go down as well as up and is not guaranteed. Holdings examples are not a recommendation to buy or sell.

# The Chrysalis blueprint

Investing in companies displaying all or some of the following characteristics



Operating in huge addressable markets with structural tailwinds



Founder-led businesses where management have a track record of execution



Category killers that are highly innovative and disruptive in nature



Developed best-in-class tech enabling them to compete on price, service and convenience



Demonstrated proof of concept and a clear roadmap to profitability and cash generation



Potential for extraordinary growth and the ability to sustain these rates of growth



The ability for superior unit and customer acquisition economics, implying value accretive growth



These factors have driven the Investment Advisor towards “tech-enabled” disrupters

Chrysalis targets late-stage, scaling companies with IPO aspirations in 2-5 years time



# Experience, strength in depth and continuity

Adding capacity, supporting growth opportunities



**RICHARD WATTS**

HEAD OF STRATEGY UK SMALL & MIDCAP

Joined Merian in 2002 (now part of the Jupiter Group)  
Jupiter UK Mid Cap Fund,  
Co-manager Chrysalis Investments



**NICK WILLIAMSON**

FUND MANAGER

Joined Merian in 2008 (now part of the Jupiter Group)  
Jupiter UK Smaller Companies Focus Fund,  
Co-manager Chrysalis Investments



**MIKE STEWART**

RESEARCH ANALYST

Joined Merian in 2019 (now part of the Jupiter Group)  
Chrysalis Investments dedicated analyst

THE HIGHLY RATED, LONG  
ESTABLISHED JUPITER INVESTMENT  
MANAGEMENT'S UK SMALL AND MID  
CAP TEAM HAS WON MANY  
INVESTMENT AWARDS



**DAN NICKOLS**

HEAD OF STRATEGY UK SMALL & MIDCAP

Joined Merian in 2001 (now part of the Jupiter Group)  
Jupiter UK Smaller Companies Fund



**TIM SERVICE**

FUND MANAGER

Joined Merian in 2007 (now part of the Jupiter Group)  
Jupiter Specialist Equity Fund



**LUKE KERR**

FUND MANAGER

Joined Merian in 2001 (now part of the Jupiter Group)  
Jupiter UK Dynamic Equity Fund



**MATT CABLE**

FUND MANAGER

Joined Jupiter in 2019  
Jupiter UK Smaller Companies Equity Fund



**JAMES GILBERT**

DEPUTY FUND MANAGER

Joined Merian in 2013 (now part of the Jupiter Group)



**DAVID CAMERON-MOWAT**

DEPUTY FUND MANAGER

Joined Merian in 2015 (now part of the Jupiter Group)



**CLAUDIA HO**

RESEARCH ANALYST

Joined Merian in 2018 (now part of the Jupiter Group)



**JAMES SIMPSON**




LEGAL COUNSEL

Joined Merian in 2018 (now part of the Jupiter Group)

A strong and very well resourced team

# Current portfolio

13 assets: with a target of >15 assets in the medium term

Company	% of investible assets	Description	Other investors
 Klarna	26.8%	A leading global payments company that provides online financial services and payment solutions	Permira, Partners Group, Lakestar, Sequoia Capital, Atomico, Blackrock, HarbourVest
 STARLING BANK	10.9%	Digital, mobile-only challenger bank	JTC
 wefox GROUP	8.3%	Europe's largest and fastest growing digital insurance platform and fully digital insurance provider	Mubadala Ventures, OMERS Ventures, Goldman Sachs, Samsung, Target Global
 THEHUTGROUP*	8.2%	An international technology company, focused on beauty and wellbeing retail	Balderton Capital, Sofina, Blackrock, Jupiter
 wise	7.9%	Digital money transfer platform	Index Ventures, Andreessen Horowitz, Baillie Gifford, Virtruvian Partners, Lone Pine Capital
 Smart Pension	5.8%	A pensions and retirement technology platform business	Legal & General, J.P. Morgan, Link Group
 embark platform	5.2%	Full-scale retirement solutions provider, with platform, investment wrapper, e-SIPP, SIPP, SSAS	Blackrock, Legg Mason, Franklin Templeton
 GRAPHCORE	4.9%	Leading semiconductor company that has developed a new type of processor (IPU) for machine intelligence	<i>Due to investment restrictions we cannot disclose other investors)</i>
 YOU & MR JONES	3.7%	Digital advertising and marketing services holding company that enables marketers to build brands better, faster, cheaper	Baillie Gifford
 FEATURE SPACE	3.1%	A software company targeting card fraud at banks via a machine learning model	Highland Europe; Invoke Capital; TTV capital; MissionOG; Insight Ventures; Touchstone Innovations
 secret Escapes	2.2%	An online members-only travel company	Temasek, Idinvest Partners, Index Ventures, Octopus Ventures
 Sorted.	1.4%	A software company that has developed a delivery management platform	Seneca Partners, Praetura Capital, NVM Private Equity
 GROWTH STREET	0.1%	SME lending business	Arts Alliance

Note: Portfolio weightings may not add up to 100% due to rounding and cash balances

Note: Portfolio weights as of 21 June 2021, are calculated using 31 March 2021 valuations, adjusted for FX as of 21 June 2021 and capturing transactions concluded post the NAV calculation period, and thus using cash as of 25 February. The holding value of THG is based on the closing share price of 623.5p, as at period end. Due to rounding the figures may not add up to 100%.

Holdings examples are not a recommendation to buy or sell.

# Thoughts on valuation

## Growth and terminal margins power valuation gains

- Higher prevalence of loss makers is mainly a US phenomenon; the UK and Europe are around their historical levels
- US Tech loss makers account for 9.4% of total US loss makers in 2021, well below the historical average of c17%
- EV/sales metrics are widely used, as companies often remain loss making as they scale
- EV/sales metrics need to be viewed in combination with the growth on offer and likely terminal margins
- Robust growth and margins can rapidly attenuate seemingly “high” multiples at point of investment
- This policy of forward looking has generated significant value in the Investment Advisor’s listed funds

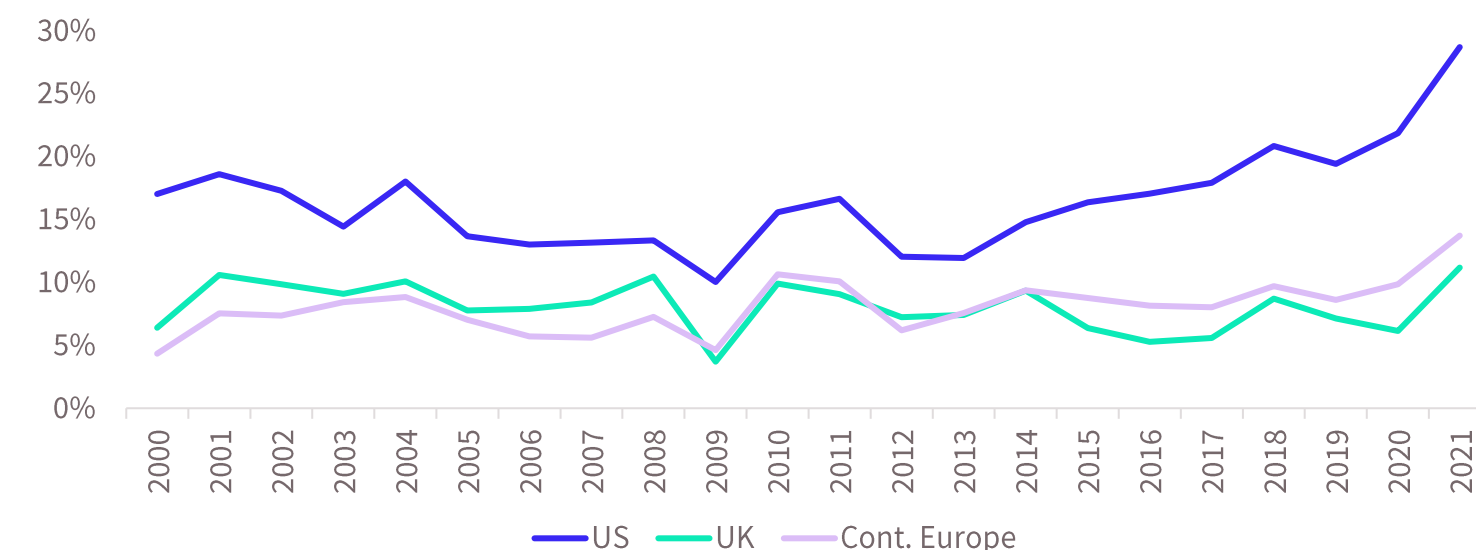
### Indicative valuation progression given growth and margin assumptions

	Margin	Yr0	Yr1	Yr2	Yr3	CAGR
Sales		100	150	225	338	50%
EV		1,500	1,500	1,500	1,500	
EV/sales		15x	10x	7x	4x	
EV/EBITDA	30%	50x	33x	22x	15x	
	50%	30x	20x	13x	9x	

Source: Chrysalis Investments

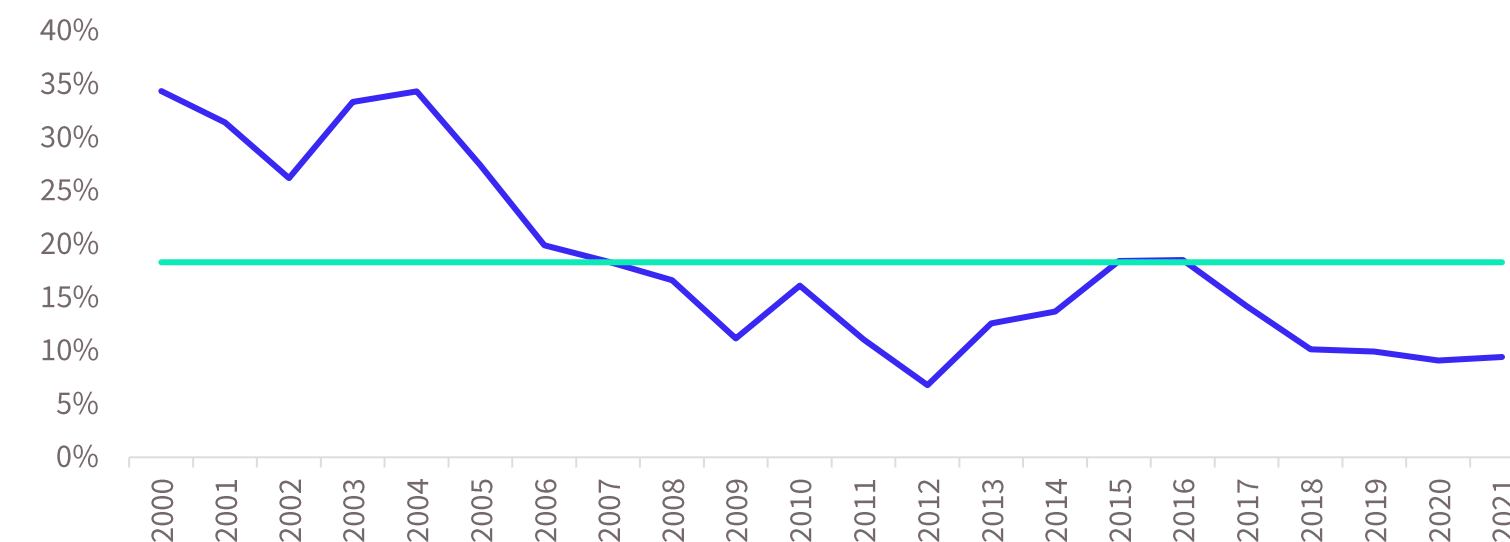
\* Defined as negative earnings in each of the prior two years; small/midcap defined as market cap of >\$100m to <£5bn

### Loss Making Small/Midcaps by Market (Number)\*



Source: JPMorgan

### Percentage of US tech companies in the loss making US Small/Midcaps (Number)\*



Source: JPMorgan