# Sector Review: Technology Investment Companies

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## A Review of Tech Focussed Investment Companies

### Accessing Fast Growing Early Stage Tech Stocks

18 January 2017

Stocks Covered

| Ticker | Company | Market Cap |
|---|---|---|
| AMP | AMPHION INNOVATIONS | £4.9m |
| BLU | BLUE STAR CAPITAL | £875k |
| GROW | DRAPER ESPRIT | £140m |
| FFWD | FASTFORWARD INNOVATIONS | £17.5m |
| FIPP | FRONTIER IP | £11.5 |
| LME | LIMITLESS EARTH | £2.3m |
| LMS | LMS CAPITAL | £52.0m |
| MERC | MERCIA TECHNOLOGIES | £112m |
| TERN | TERN PLC | £10.3m |
| TMT | TMT INVESTMENTS * | US$46.5m |

*Hybridan Broking Client


**HYBRIDAN LLP**
20 Ironmonger Lane, London, EC2V 8EP
Website: www.hybridan.com
@HybridanLLP

William Lynne
Tel: 020 3764 2342
Email: william.lynne@hybridan.com


Not everyone is able to access fast growing technology stocks directly. This could be because of; suitability issues; or lack of portfolio scale to get sufficient diversity; or simply lacking the time and expertise to do the research required to pick the wheat from the chaff.  It is also the case that many of the most exciting opportunities are offered ‘by invitation only’ so being well connected is arguably almost as important as making good investment judgement.

Thus, for many people who want exposure to fast growing early stage technology companies, most of the roads lead to choosing a collective investment vehicle to do the job.   The choice ranges from the larger HG Capital Trust (LON:HGT) and Oakley Capital investments Limited (LON:OCL) - who broadly speaking give access to their own large Limited Partnership type funds - and the tech focussed VCT/EIS/SEIS investment schemes which also offer tax incentives for those that can access them, but are restricted in various ways, not least by geography.  There is however a universe of smaller investment companies that make predominantly direct investments into the high growth tech sectors and which we cover in more detail within this piece.

Valuing early stage companies is always tricky and subjective, but valuing small and early stage tech companies that have no earnings and sales growth that, if it comes at all, will be measured in hundreds of percent, is trickier still.   Luckily no-one needs to make subjective valuations, as the investee companies within a fund portfolio are (with some exceptions) valued at the last price that a 3rd party transaction took place. This can be frustrating when an investee company is growing fast, yet the valuation remains unchanged. Importantly it can create significant opportunities for investors who are prepared to take a view when the ‘published’ NAV has not kept up with the reality.

Of course, not all the investee companies will succeed – they are typically operating in new markets and with new business models. However, the published NAV is obliged to ‘provision’ for those portfolio constituents that are struggling, and thus the NAV will tend to reflect the downside sooner than the upside.

Finally, there are different valuations applied by the market. Some of our universe trade on big discounts to their last NAV and some on premia. Sometimes there is an explanation; and often not. The potential performances of different companies are highly subjective. However, the return for investors must necessarily consider the more objective levels of discount or premium.  Buying a company at a premium to its NAV leaves much less scope for set-back, and ultimately less scope for upward revision in the long term, as somewhere down the line the premium -or discount- must revert to the NAV.

# Introduction

## Universe

| | | Curr. | Price | Last Published NAV | Disc. (-Prem.) | Mkt Cap |
|---|---|---|---|---|---|---|
| AMP | AMPHION INNOVATIONS PLC | GBp | 2.5 | 4.62 | 46% | 4.9m |
| BLU | BLUE STAR CAPITAL PLC | GBp | 0.175 | 0.36 | 51% | 875k |
| GROW | DRAPER ESPRIT PLC | GBp | 346 | 352.39 | 2% | 140m |
| FFWD | FASTFORWARD INNOVATIONS | GBp | 13.125 | 7.92 | -66% | 17.5m |
| FIPP | FRONTIER IP GROUP PLC | GBp | 37.5 | 24.91 | -51% | 11.5m |
| LME | LIMITLESS EARTH PLC | GBp | 3.5 | 3.79 | 8% | 2.3m |
| LMS | LMS CAPITAL PLC | GBp | 54 | 88.06 | 39% | 52.0m |
| MERC | MERCIA TECHNOLOGIES PLC | GBp | 52.5 | 38.07 | -38% | 112m |
| TERN | TERN PLC | GBp | 8.75 | 10.49 | 17% | 10.3m |
| TMT | TMT INVESTMENTS PLC | USD | 1.675 | 1.91 | 12% | 46.5m |

Mid prices at close 18 January 2017

Sources: Hybridan: Universe of Peers / Fidessa: Prices

This note looks at the ten Companies listed in the chart above that offer investors access to early stage private technology companies. Of course, the performance that these Companies will generate will ultimately depend upon the performance of the underlying investee Companies. The valuations of most their investee Companies are driven – on the upside at least – by third party transactions which means that even if all is going very well the valuation can only be increased when there is an 'up-round'. In fact, sometimes it can go so well that some companies generate enough cash that they do not need to do an 'up-round' and establish a valuation event. On the downside, things should be a little clearer a little quicker. If an investee company is struggling, the fund managers are obliged to provision for it relatively quickly. Thus, there is an asymmetric approach to the valuations of these portfolios, but erring to the conservative.

## Style

There are differences in investment style across the universe we have selected. Some of the funds are very focussed on a handful of investments, some have many 'shots on goal', some look like Venture Capital funds, some like Private Equity funds and some are Technology Transfer Companies. Also, it is the nature of many the modern-day technology companies - such as subscription model retailers and cloud based service providers - that fortunes can come relatively quickly; good or bad.

## Premium / Discount

Different valuations to investment companies are applied by the market. Some of our universe trade on big discounts to their last NAV and some on premia. Sometimes there is an explanation from events announced after the last report or liquidity issues, but often not. There are also variants by business model. For example, Mercia Technology and Frontier IP both trade at premia, in large part because they tend to be compared to a 'tech transfer' peer group of companies that have similar models, such as IP Group (LON:IPO), Allied Minds(LON:ALM) and Touchstone (LON:IVO) to name a few. However, we have not included these companies in this piece as they have very high exposure to biotech and healthcare.

The potential performance of different fund managers is subjective, and of course they have different styles and strategies within the different business models, but the maths around premia and discounts is entirely objective. A company with a share price of 80p and a NAV of 100p is trading at a 20% discount. However, if the discount narrows to zero, the potential return is 20p on an investment of 80p, or 25%. For a competitor company already trading at NAV, achieving a 25% out performance in the underlying portfolio, even smoothed over several years, is going to be a big hurdle. And of course, a company on a significant premium would have to perform even better still to be competitive.

Over the following pages we have looked at investment objectives and the most recent results for each Company. We have then picked up the subsequent newsflow, and applied some of our own observations and thoughts based on our research.

## Contents

# Amphion Innovations (AMP)

## Investment Objective

Amphion focuses on high growth companies in the medical and technology sectors, by using a hands-on company building approach, based on decades of experience in both the US and UK. Amphion has a significant shareholding in seven partner companies, developing proven technologies targeting substantial commercial marketplaces, each more than $1 billion. Each partner company is chosen with the goal of achieving an exit valuation of more than $100m. Amphion also has a specialised entity, DataTern, Inc., established to exploit IP opportunities within the Company's Partner Companies.

## Balance Sheet

| | | |
|---|---|---|
| ***Amphion Balance Sheet*** | | |
| Interim to 30 June 2016 | | |
| | | |
| Private Investments | $ 5,952,673.00 | |
| Fixed asset Investments | $ 32,813,850.00 | |
| Intangible assets | $ 197,474.00 | |
| Security deposit | $ 20,000.00 | |
| Current Assets | $ 1,350,279.00 | |
| ***Total Assets*** | | ***$ 40,334,276.00*** |
| Convertible Notes | $ 7,652,133.00 | |
| Financial liabilities | $ 21,447,974.00 | |
| ***Total Liabilities*** | | ***$ 29,100,107.00*** |
| Net Assets | | $ 11,234,169.00 |
| ***NAV per share*** | | ***$ 0.057*** |
| ***NAV per share (diluted)*** | | ***$ 0.041*** |

Source: Based on Amphion Innovations' interim results to June 2016 / compiled by Hybridan LLP

## Portfolio

| | | | |
|---|---|---|---|
| Portfolio | % owned | Sector | Description |
| Axcess International, Inc. | 8.64 | Technology: Support Services | Wireless system solutions and products for workforce management |
| FireStar Software, Inc. | 11.44 | Software: Secure Network | Enabling exchange of secure and guaranteed data |
| Kromek Group plc (AIM: KMK) | 4% | Technology: Safety & Medical Equipment | Using CZT based technology for Medical imaging, nuclear detection, and Security Screening |
| Motif Bio plc (AIM: MTFB) | 22% | Bio-Tech | Novel anti-biotics |
| m2m Imaging Corporation | 15.62 | Technology: Medical Equipment | Improving diagnostic qualities of MRI Images |
| PrivateMarkets, Inc. | 20.55 | Software: Secure Network | A 'virtual' private market for commodities' traders |
| WellGen, Inc. | 23.9 | Healthcare: Medical Supplements | Medical Foods for inflammation based diseases |
| DataTern | 100% | Technology Transfer | Commercialisation of IP from Amphion's Partner Companies |

Source: Based on information published by Amphion Innovations / compiled by Hybridan LLP

### Subsequent Events

18 July 2016 - drawn-down the additional tranche of US $750,000 as announced on 13 July 2016, under the loan facility as initially announced on 5 June 2014. Under the terms of the Additional Draw, Amphion has pledged 1.4m Ordinary Shares of Motif Bio plc as additional collateral under the Facility. Amphion has now pledged a total of 16.3 Ordinary Shares of Motif Bio plc under the Facility.

29 July 2016: Announces that all resolutions were passed at the Annual General Meeting, which was held on Wednesday 27 July 2016. Included in the resolutions were the appointments to the Board of Mr. Richard Mansell-Jones as Director and Chairman and Mr. Paul Kennedy as Non-executive Director, effective immediately.

2 Aug 2016: Holding in Kromek reduced to 7.5m (8.75m)

22 Aug 2016: agreed terms for the draw-down of an additional tranche of US $2.35m

7 Sep 2016(interim): Axcess Intl an investee Company is currently discussing litigation strategies and financing opportunities with several legal and litigation financing firms13 Jul 2016: Investee Company Motif Bio is seeking a listing on Nasdaq sharing facilities.

8 Sep 2016: Motif and Amphion have agreed to a re-negotiation in terms of the CPN, such that the Noteholders received US $314,146 in cash and will on the date of the CPN receive 409,000 ordinary shares in Motif in full satisfaction of the interest payments, and that the ongoing interest payments will now cease. All future payments of the CPN principal amount to the Noteholders will be by way of conversion at the Conversion Price only and Amphion was also be granted a right to convert prior to 31 December 2016. (see below)

23 Nov 2016: Holding in Kromek reduced to 6.12m (6.14m) shares

9 Dec 2016: New options for management granted 681,250 shares @ 2.12 & 1,913,000 shares @ 2.38 total 2,594,250 shares

29 Dec 2016: holding in Motif Bio increased to 43.2m (28.7m) 22%, following the conversion of the Convertible Promissory Notes which totaled US$3,550,786 and were converted in accordance with their terms at US$0.2447 per share. Following the conversion, the Amphion Parties will hold no further CPNs.

## Conclusion

Amphion has very high levels of debt which makes it very sensitive to valuation changes in Motif Bio (LON:MTFB) in which it has a 22% holding. This position is currently valued (18 Jan 2017) at around £11m. Roughly a third of the current holding has resulted from the CPN conversion in December at USD 0.2447 (approx. 20p). But the other 2/3ds will have roughly halved in value, in line with the Motif-bio share price. We calculate this knocks around £6m (~$7.2m) off the assets which takes around US3.7c off Amphion's last NAV. The share price of Kromek (LON:KMK) is also down a bit and there has been a further drawdown of debt since the period end (30 June 2016). Of course, some of this deficit may be offset by the other assets in the portfolio coming good and changes in the portfolio that we cannot be aware of, but it seems on a rough calculation that the 46% discount to the last published NAV is reflecting these factors.

# Blue Star Capital PLC (BLU)

## Investment Objective

Blue Star Capital invests in the Gaming, Media & Technology sectors. The manager focuses on UK companies but considers opportunities elsewhere in the EU and will actively co-invest in larger deals. The investments are passive in nature, but may be actively managed. Under normal circumstances, it is the Directors' intention not to invest more than 10% of the Company's gross assets in any individual company (calculated at the time of investment). The Company may use and be indirectly exposed to the effects of gearing to the extent that investee companies have outstanding borrowings. It is anticipated that returns from the Company's investment portfolio will arise upon realisation or sale of its investee companies, rather than from dividends received. The Company has an indefinite life dependent on obtaining sufficient funding.

## Balance Sheet

| ***BlueStar Capital Balance Sheet*** | | |
|---|---|---|
| ***Full Year 30 Sept 2016*** | | |
| | | |
| Disruptive Tech limited | £ 1,597,537.00 | |
| Sthaler Limited | £ 108,700.00 | |
| Current Assets | £ 82,109.00 | |
| Total Assets | | £ 1,788,346.00 |
| | | |
| Trade & Payables | £ 31,181.00 | |
| Total Liabilities | | £ 31,181.00 |
| | | |
| **Net Assets** | | **£ 1,757,165.00** |
| **NAV per share** | | **£ 0.0036** |

Source: Based on Blue Star Capital's published Results FY 30 Sep 2016 / compiled by Hybridan LLP

## Portfolio

| ***DTL Portfolio*** | % owned | | |
|---|---|---|---|
| Nektan (NKTN:LSE) | 15 | Software: Gaming | B2B mobile gaming content developer and platform provider. |
| VNU | 38 | Finance: E-Commerce | Specialty online direct retailer of premium goods paid for through an instant credit facility. |
| Freeformers | 12 | Edtech | Helps companies drive digital transformation through programmes that teach relevant and practical skills to anyone from frontline staff all the way up to senior leadership teams |
| Interest Labs | 100 | Software: Ad serving network | Delivers ads to consumers using true relevance, to provide an open two-way communication between the consumer and a brand. |
| ***Direct Holding*** | | | |
| Sthaler Limited | 1.3 | Fintech | unique vein ID technology |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

28 Nov 2016 (Final Results) Blue Star has a 2.1% stake in DTL Limited. Within the DTL portfolio there are four companies and a small fund – no individual valuations are shared. DTL has informed investors that it will seek to exit all the shareholdings in the five portfolio companies during the next 3 years and will disperse the proceeds back to DTL's shareholders. Disbursement of proceeds is expected to be either through the distribution of shares if a company is listed on a public market (post any lock in period and stability in the share price) or cash from the sale of DTL's positions.

28 Nov 2016 (Final Results): Sthaler is a position that held directly by Blue Star. It is the Directors' understanding that Sthaler is having ongoing discussions with large organisations which may be instrumental in commercialising the technology. Whilst there is no guarantee that these discussions will result in commercial sales in the short term or at all, the Directors remain optimistic of an exciting future for Sthaler. (Sthaler offers cloud based software for bio-metric finger tests – for use in payments and loyalty offerings. It is PCI conformant and does not store data. Sthaler has signed a licence with Hitachi and has strategic partners including Samsung, WorldPay and BT. It has also won an award from Mastercard.

16 Jan 2017: Entered a conditional agreement to subscribe for an amount of €0.64m in SatoshiPay Ltd, a UK incorporated private Nano payment software and blockchain company.
16 Jan 2017 : has conditionally placed 466.7m new Ordinary Shares at a price of 0.15 pence per share raising gross proceeds of £0.70m.

## Conclusion

The positive momentum within DTL's portfolio is being driven by VNU Retail Group. VNU offers specialty retailers (Apple, Sony, Samsung, Gucci, Prada…&c.) alternative credit solutions for online shoppers. The service went live last year and is anecdotally going very well and it is expected that the next round will be an up-round. Freeformers and Interest Labs. are apparently going well too but will be a small impact on the whole portfolio.

The other holding is Nektan (LON:NKTN) which is listed on AIM. Nektan's share price has been disappointing, losing around 80% over the last year, and much of this will not have been recognised in the last valuation. Blue Star has carried it holding in DTL at £1.6m since March 2014. Using publicly available information, it is impossible to calculate exactly what Blue Star's see-through stake is and therefore measure its impact, but this is probably a significant factor in why the apparent discount is so large. (~51%).

The Blue Star portfolio is very focussed, on three holdings and that obviously brings a highly geared risk/reward return. That said both Sthaler and VNU are very exciting businesses and VNU particularly has good traction with customers and the level of discount should give some comfort around Nektan's performance.

# Draper Esprit (GROW)

## Investment Objective

Draper Esprit is involved in the creation, funding and development of high-growth technology businesses in Europe. The Group seeks exposure to early stage companies which combine technology and service provision, can generate strong margins through significant intellectual property or strong barriers to entry, are scalable and require relatively modest investment. The Group will primarily seek exposure to: Consumer Technology, Enterprise Technology, Hardware and Healthcare. Investments will be mainly in the form of unquoted equity. The Group is an active investor, often taking a board position on the investee company. The Directors intend to re-invest the proceeds of disposals unless, at the relevant time, the Directors believe that there are no suitable investment opportunities, in which case the Directors will consider returning the proceeds. Draper Esprit does not currently intend to utilise gearing. Draper also runs co-investment funds for which it receives a fee.

## Balance Sheet

| ***Draper Esprit Balance Sheet*** | | |
|---|---|---|
| ***Interim 30 Sept 2016*** | | |
| | | |
| Investments | £ 106,848,000.00 | |
| Trading Carry | £ 2,126,000.00 | |
| Other Assets | £ 529,000.00 | |
| Goodwill | £ 20,475,000.00 | |
| Cash & Liquid | £ 22,182,000.00 | |
| Total Assets | | £ 152,160,000.00 |
| | | |
| Payables | £ 8,830,000.00 | |
| Total Liabilities | | £ 8,830,000.00 |
| | | |
| **Net Assets** | | **£ 143,330,000.00** |
| **NAV per share** | | **£ 3.52** |

Source: Based on Draper Esprit's published interim results to 30 Sep 2016 / compiled by Hybridan LLP

## Portfolio

| Investment | Sector | Description | % of Draper P/F |
|---|---|---|---|
| Conversocial | Enterprise & Data | Cloud-based enterprise social customer service | 5.04% |
| Graze | Consumer & Commercial | Nutritionally balanced snack subscription service | 8.98% |
| Lyst | Consumer & Commercial | Personalised fashion marketplace | 7.92% |
| M-Files | Enterprise & Data | Content management software | 6.83% |
| Movidius | Systems & Semis | Ultra-low power, high performance visual intelligence. | 24.00% |
| Qosmos | Enterprise & Data | Deep packet inspection and network intelligence technology | 6.44% |
| SportPursuit | Consumer & Commercial | Ecommerce sports website | 8.01% |
| Trustpilot | Enterprise & data | World's largest consumer reviews platform | 8.77% |
| Remaining Portfolio | | | 21.31% |
| Co-invest assigned to plc | | | 2.70% |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

6 Sep 2016: Intel expected to buy Movidius by end 2016 ; worth approximately £27m to Draper

24 Oct 2016: Sale of Portfolio Company QOSMOS to ENEA - for a total cash consideration of approximately €52.7m. Closing of the transaction is subject to approvals from French government authorities and is expected to be completed beginning December 2016. The disclosed audited NAV of Draper Esprit's holding in Qosmos as at 30 April 2016 was £4.9m. The amount received by Draper Esprit on completion of sale will be approximately £6.0m with a further €1.9m expected in 24 months' time and consequently this will have a positive impact on the Company's overall Net Asset Value.

26 Oct 2016:

- Perkbox: Digital employee engagement firm Perkbox received backing of £2.5m (plc £1.7m) from Draper Esprit in a £4.5m round. Perkbox provides a digital engagement platform that enables companies of all sizes, including start-ups, to incentivise, motivate and attract staff through over 200 perks and benefits and a sophisticated rewards & recognition infrastructure.
- Resolver: Draper Esprit has also participated £1.2m (plc £0.6m) in a £2.8m investment round for Resolver, a free and independent website dedicated to making it easier for consumers to make complaints or raise issues with brands, companies and organisations to get redress or money back.
- Pushdoctor: Europe’s largest online GP marketplace has raised £1.5m (plc £1.0m) investment from Draper Esprit. PushDoctor.co.uk is changing the way everyone can access

healthcare using its' on-demand online GP surgery, making healthcare accessible for the tens of millions of people in the UK who find seeing a doctor difficult.

24 Nov 2016: Draper Esprit acquired a 30.77% stake in Elderstreet Holdings Limited, the holding company of Elderstreet Investments Limited with an option to acquire the balance in due course. Elderstreet, a VCT manager, currently has assets in excess of £25m. The initial consideration has been satisfied by the issue of 73,667 new ordinary shares & Company's issued share capital consists of 40.77m Ordinary Shares.

15 Dec 2016: Draper acquired a significant minority stake in Clavis Insight, an eCommerce insights company, for £8m. Clavis is the established global industry leader of digital shelf analysis, insights and analytics enabling manufacturers to track and optimise their online channel presence and performance.

18 January 2017: Draper has doubled its equity stake in TrustPilot investing a further $6.9 million (£5.5 million). Draper Esprit first invested in Trustpilot in 2013, with a follow on investment in 2015 and including this current investment, has now invested £11 million.

## Conclusion

Draper Esprit has a large and active portfolio with plenty of scope for upgrades and boasts £39m in recent exits since June 2016 (Movidius (£27.4m) and post period Qosmos (£8.0m) and Datahug (£3.6m)). It also has revenues in the period of £0.7m which were generated from investment management fees. There is £20m of goodwill on the balance sheet which relects the valuation of the businesses in addition to the portfolio investments.

With available cash of £48.0m, plus a further £6.0m anticipated from the sale of Qosmos, the Company has some good firepower for new investments and already two have been made since the period end: Clavis for £8m and a further £5.5m into Trustpilot. This realisation and recycling of investments is an important and attractive element of the Draper model. It is unlikely that they will let the cash balance drag on performance though it will take some time to be deployed. The shares trade around the last NAV though looking at the subsequent events, we believe the NAV is likely to be higher at the next period.

# Fast Forward Innovations (FFWD)

## Investment Objective

This investment philosophy is based on several ideas set out by Jim Mellon, the Company's Co-Chairman, and Al Chalabi in their book "Fast Forward: The Technologies and Companies Shaping Our Future". The Company invests in visionary entrepreneurs developing innovative technologies that solve problems in their industries where it believes that their products and/or services will be transformative. The principal focus is on early stage investments. Where the Company aims to bring investment opportunities, often reserved for the private market of venture capital firms, to the public market. FastForward looks to eliminate the barriers to investing in these startups and provide access to these opportunities with potential high returns.

## Balance Sheet

| ***Fast Forward Balance Sheet*** | | |
|---|---|---|
| ***Interim 30 Sept 2016*** | | |
| | | |
| Investments | £ 8,095,000.00 | |
| Receivables | £ 18,000.00 | |
| Cash & Liquid | £ 2,539,000.00 | |
| Total Assets | | £ 10,652,000.00 |
| | | |
| Payables | £ 38,000.00 | |
| Total Liabilities | | £ 38,000.00 |
| | | |
| **Net Assets** | | **£ 10,614,000.00** |
| **NAV per share** | | **£ 0.0792** |

Source: Based on FastForward's published interims to 30 Sep 2016 / compiled by Hybridan LLP

## Portfolio

| Holding | Category | Description | % Portfolio |
|---|---|---|---|
| | | | |
| Frallis LLC (Leap Gaming) | Gaming | 3D gaming technology and products with a focus on virtual sports and casino | 33% |
| Intensity Therapeutics, Inc | Biotech | novel immune-based therapeutic products for cancer treatment known as in situ vaccination | 5% |
| Moon Active Ltd. | Gaming | Casual social games. Utilizing next-generation technology and hybrid game mechanics | 5% |
| The Diabetic Boot Company Limited | Healthcare | a new form of diabetic friendly footwear | 4% |
| SatoshiPay Limited | Blockchain: Payments | platform enables near-instant, micro-amount settlement mechanisms. | 2% |
| Factom, Inc | Blockchain: Cyber sec. | cryptographically unique fingerprint of the data to Factom's immutable, distributed ledger | 7% |
| Vemo Education, Inc | Edtech | income-based financing programs, which align the cost of a student's education with its value | 10% |
| Yooya Media | Media and Content | connect and unify the three linchpins of the online video market in China: publishers, platforms, and advertisers | 18% |
| Vested Finance, Inc | Edtech | big-data driven college and career counsellor mobile app | 16% |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

3 Oct 2016 Innova Gaming announced that it had integrated Leap's technology into its lottery terminals of which there are over 2,000 in North America.

6 Oct 2016: investee company, Factom Inc. raised $4.2m in new funding in its Series A financing round, led by venture capitalist Tim Draper of Draper Associates.  This values FastForward's investment at approximately £560k, an increase of approximately 100%reported value of £279k at the time of  FY results to 31 March 2016.

29 Nov 2016:  Yooya reports that it has exceed 1 billion monthly video views of its China-based Online Video network / In the quarter to 30-Sept-16, Moon Active has nearly doubled revenues from the previous quarter.

3 Jan 2017: Proposed Recommended Offer for the issued shares of Schoold (Vested Finance) representing an increase in the reported value at 31 September 2016. The Term Sheet provides for a 75-day period of exclusivity in relation to the proposed acquisition which is subject to definitive agreements being concluded by the parties. The Company has an approximate 12.3 per cent. interest (on a fully diluted basis) in the issued shares of Schoold.

4 Jan 2017: Frallis LLC (**Leap Gaming**) has started the process of seeking a listing of its shares on a North American stock exchange. In addition, Leap Gaming has confirmed that it has received an approach from an existing partner regarding a possible cornerstone investment in the business ahead of a proposed IPO of such partner and this party is currently undertaking a valuation exercise that will determine proposed pricing of Leap Gaming. Leap Gaming has indicated that it expects that either transaction, if completed, would represent in an increase over the reported value of FastForward's investments in Leap Gaming at the time of FastForward's interim report and accounts.

## Conclusion

Fast Forward is living up to its name with Leap Gaming and Schoold already in the frame for potentially profitable exits. This certainly will account for much of the significant premium (66%) the shares are currently trading over the last published NAV. Aside from these two strong potential uplifts there is also a significant body of circumstantial evidence around increasing traction in several of Fast Forward's other investee companies. Of course, circumstantial evidence does not make NAV uplifts, (at least not in the short term) but it does represent positive momentum for investors to consider. Not all the investments will have such a rapid response time. The healthcare investments are likely to have a slower fuse. Lorne Abony has a strong track record in the sector and Jim Mellon has a strong track record in picking successful early stage technologies, and they are off to a flying start.

# Frontier IP

## Investment Objective

Frontier IP's principal strategic objectives are to achieve revenue growth and create long-term value for its stakeholders. Frontier IP's strategy is to pursue growth by:

- Generating value from its relationships through new spin-outs, significant equity holdings, licensing income and realisations from existing spin-outs
- Building a portfolio capable of commercial success
- Reviewing and extending its portfolio pipeline for sources of high-quality IP
- Using its expertise to assist portfolio companies to grow and achieve realisations. It has relationships with several universities including two in Portugal, but is not restricted to them.

## Balance Sheet

| | | |
|---|---|---|
| ***Frontier IP Balance Sheet*** | | |
| ***Annual 30 Jun 2016*** | | |
| | | |
| Investments | £ 4,673,000.00 | |
| Tangible fixed assets | £ 2,000.00 | |
| Goodwill | £ 1,966,000.00 | |
| Receivables | £ 367,000.00 | |
| Cash & Liquid | £ 771,000.00 | |
| Total Assets | | £ 7,779,000.00 |
| | | |
| Payables | £ 111,000.00 | |
| Total Liabilities | | £ 111,000.00 |
| | | |
| **Net Assets** | | **£ 7,668,000.00** |
| **NAV per share** | | **£ 0.2491** |

Source: Based on Frontier IP's published results FY 30 Jun 2016 / compiled by Hybridan LLP

## Portfolio

| Holding | Category | Description | Portfolio % |
|---|---|---|---|
| | | | |
| PulsiV solar | IT/ Energy | Energy efficiency from photovoltaic panels | n/a |
| Nandi | Foodtech: | patented protein process technology which can reduce sugars, fats and emulsifiers in processed food without adversely impacting taste and texture | n/a |
| Aludsid | Cleantech: Materials | produces a new material made from fused recycled glass and ceramics, designed as an adaptable alternative to natural stone. | n/a |
| Cambridge Sensor innovation Ltd | IT/ Life Sciences | optimise the efficiency and production from ovens and kilns, reducing wastage and energy consumption. | n/a |
| PoreXpert Ltd | IT | provides software and consultancy services for the characterisation and optimisation of porous materials. | n/a |
| Exsciencia Ltd | Life Sciences | Novel informatics and experimental methods for drug discovery | n/a |
| Cambridge Simulation Solutions | IT/Life Sciences | Method to simulate and control complex chemical processes. | n/a |
| Celerum Ltd | IT/Energy | Planning and scheduling software, targeting the offshore oil and gas industry. | n/a |
| ADUS deep Ocean | IT/Imaging | High resolution sonar imaging for inspecting underwater assets | n/a |
| Counterweight Limited | Foodtech: | Obesity management programme | n/a |
| Glycobiochem | IT/Life Sciences | Molecular and chemical tool software in the treatment of human disease | n/a |
| Kinetic Discovery Ltd | Life Science / Services | Biosensor-based drug discovery screening | n/a |
| Rapid Quality Systems Ltd | IT/ Software | Software development support application | n/a |
| RGU Ventures Investment Fund LP | Fund | | n/a |

Source: Based on published information / compiled by Hybridan LLP NB. no portfolio weightings are published.

## Subsequent Events

5 Sep 2016: Nandi Proteins Limited and Heriot-Watt University, Edinburgh today announced the awarding of a £1m grant from Innovate UK under its "Optimising Food Composition: Fat, Sugar, Salt and Fibre" competition. (FIPP owns 21% of Nandi)

14 Sep 2016: Signed an agreement with the Faculty of Science and Technology within the Universidade NOVA de Lisboa, Portugal to assist with its spin-off and licensing activities emerging

from its research programmes. This partnership is Frontier IP's second in Portugal and reflects the Group's view that there is significant opportunity in the region.

4 Nov 2016: Alusid Limited has been awarded this year's IChemE Global Award 2016 for Best Business Start-Up against a shortlist of international nominees.

7 Dec 2016: received a 20 per cent. stake in Tarsis Technology Limited, the Group's third spin-out from the Department of Chemical Engineering and Biotechnology at the University of Cambridge. The technology allows slower and more controlled delivery of drugs using metal-organic frameworks (MOFs). The pharmaceutical industry has demonstrated early interest in the technology.

## Conclusion

Frontier IP's model is to provide advice and services in exchange for cash and equity. In the year to June it produced roughly £2m of revenue, £1.8m from booking an unrealized profit, and £220k from services; principally board retainers, fund management fees and license income. The basic EPS was just over 4p. Obviously, this is not a fully recurring revenue stream, but to some extent explains why the shares trade at a premium to the net asset value (51%). There is no breakdown of weightings within the portfolio but it is likely that the bulk of it, by value, will be focused on maybe four or five investee companies. The premium is likely to be supported by peer group (Tech-Transfer) comparison in the near term.

# Limitless Earth (LME.L)

## Investment Objective

Limitless Earth pursues a dynamic strategy to create a portfolio of companies whose growth and success is linked to the world's changing demographic situation. The Company intends to focus initially on projects located in Europe but will also consider investments in other regions. The Company may become an active investor, acquire controlling stakes or minority positions. Investments may be in either quoted or unquoted securities made directly or indirectly in partnerships or joint ventures or into individual assets and can be at any stage of development. The Company intends to deliver shareholder returns principally through capital growth rather than capital distribution via dividends. The Company may offer shares as well as cash by way of consideration for prospective investments and, in appropriate circumstances, issue debt securities or borrow money to complete an investment.

## Balance Sheet

| | | |
|---|---|---|
| ***Limitless Earth Balance Sheet*** | | |
| ***Interim 31 July 2016*** | | |
| | | |
| Investments | £ 1,296,443.00 | |
| Cash & Liquid | £ 1,242,626.00 | |
| Total Assets | | £ 2,539,069.00 |
| | | |
| Trade & Payables | £ 60,791.00 | |
| Total Liabilities | | £ 60,791.00 |
| | | |
| **Net Assets** | | **£ 2,478,278.00** |
| **NAV per share** | | **£ 0.038** |

Source: Based on Limitless Earth's published interims to 31 July 2016 / compiled by Hybridan LLP

## Portfolio

| Portfolio | Sector | Description | % Portfolio |
|---|---|---|---|
| | | | |
| Exogenesis | Medtech | developed nanoscale surface modification technology to, inter alia, improve the safety and efficacy of implantable medical devices and is being used to develop next generation microscopy tools for DNA analysis. | 16% |
| Chronix Biomedical | Biotech | multi-cancer biomarkers that relate to the earliest events in genomic instability and appear to be present in most major cancers regardless of the cell of origin. | 25% |
| V Nova Limited | Software: Telecoms | software-based compression solution “PERSEUS” enables broadcasters and operators to upgrade their existing infrastructure to provide significant performance improvements and reduce bandwidth costs, as well as extend and add new services. | 39% |
| Saxa Gres S.p.a. | CleanTech: Waste management | Italian company focused on waste recycling in the form of both industrial waste recycling to manufacturing and organic waste to electricity production. | 20% |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

None.

## Conclusion

Limitless Earth plc was admitted on AIM on 12 May 2014 raising £3.0m. There have been no update announcements or even background information on any of the investments relating to the period since the interims (31 July 2016) so it seems likely that the NAV will be unchanged from that date. There is limited liquidity in the shares and when they do trade it appears to be on a matched basis at a modest discount (8%). The portfolio is relatively new and presently it is only half invested, so it would seem likely that there will be further investments over the next few quarters and unlikely that it will be announcing any exits imminently. Even with all the cash invested, the portfolio would be very focussed given the current size of the Company, and it would therefore seem likely that further funds will be sought when the Company approaches full investment.

# LMS Capital (LMS)

## Investment Objective

During the first half of 2016 the focus of the Company's directors was the realisation strategy approved by shareholders at the GM on 30 November 2011. To date £155m has been returned to shareholders by way of four tender offers and related share buybacks. On 27 July, the Company announced proposals to change its investment policy to enable it to be managed by Gresham House Asset Management's Strategic Equity investment team, led by Graham Bird and Tony Dalwood. Both have long track records of delivering superior long-term investment returns through applying private equity techniques to investing in public markets. The Company's investment objective now is to achieve absolute total returns over the medium to long term, principally through capital gains and supplemented with the generation of a longer-term income yield. The Company targets a return on equity, after running costs, of between 12 and 15 percent per annum over the long term and will focus primarily upon private equity opportunities within the UK.

## Balance Sheet

| ***LMS Balance Sheet*** | | |
|---|---|---|
| ***Interim to 30 June 2016*** | | |
| | | |
| Investments | £ 205,778,000.00 | |
| PPE | £ 200,000.00 | |
| Current Assets | £ 8,944,000.00 | |
| Total Assets | | £ 214,922,000.00 |
| | | |
| Payable to subsids | £ 119,732,000.00 | |
| other liabilities | £ 3,969,000.00 | |
| Total Liabilities | | £ 123,701,000.00 |
| **Net Assets** | | **£ 91,221,000.00** |
| | | |
| **NAV per share** | | **£ 0.880** |

Source: Based on LMS's published interims to 30 June 2016 / compiled by Hybridan LLP

## Portfolio

| Company | Sector | Description | % Portfolio |
|---|---|---|---|
| Medhost Inc | Technology | software and services to about 1,000 healthcare facilities nationwide, from large multi-facility hospital systems to independent community facilities and IDNs | 22% |
| ICU Eyewear | Consumer | develop and implement a manufacturing process for eco-friendly reading glasses made from reclaimed plastic, recycled metal and sustainable bamboo. | 12% |
| Yes To, Inc | Consumer | natural personal care company whose products were originally developed in the Dead Sea region of Israel. | 11% |
| Penguin Computing | Technology | Cluster Virtualization, the most practical and cost-effective methodology for reducing the complexity and administrative burden of clustered computing | 11% |
| Brockton Capital | Property | Property Fund | 10% |
| Nationwide Energy Partners | Energy | design, installation, operation and maintenance of private electric distribution systems for new multi-family housing communities. | 10% |
| Opus Capital Venture Partners | Technology | Technology Fund | 8% |
| Elateral | Technology | cloud based application for major brands to manage the distribution and adaptation of the digitized designs for a wide range of marketing materials; from press ads to posters, packaging to online | 6% |
| 365iTMS | Technology | vendor-independent services company that designs and delivers information and communications technology services and solutions for commercial and government clients. | 6% |
| Eden Venture Partners | Technology | Technology Fund | 5% |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

1 Sep 2016: Tender Offer. After application of the scaling provisions, 7,142,857 Ordinary Shares will be purchased. The total value of all Ordinary Shares purchased is £6.0m. The Company intends to cancel the tendered Shares, reducing its total issued share capital from 103,584,592 Ordinary Shares to 96,441,735. The NAV remains at 88p

The Company is proposing two further tenders of up to £6m and up to £5m are to be made. These further tenders (and associated repurchases) will be carried out when sufficient disposals have been made, such that the required repurchase amount can be satisfied from 50 per cent. of the net proceeds of such disposals, and will be at a 5 per cent. discount to the net asset value of the Company at the relevant time.

## Conclusion

Two thirds of LMS's portfolio is currently held in US assets so this will have had a very positive impact on the sterling value of those investments. Looking ahead, the focus will be on new private equity investments in the UK though not confined to the tech sector; historically the focus has been on tech related investments, excepting the property fund which is a legacy from when LMS was 'London Merchant Securities' a property company which was taken over by Derwent.

In addition to the exposure to the underlying investee companies there is a potential value play: The bulk of the cash in the balance sheet as at 30th June has been used for the recent tender so further disposals will be required before there can be any further (planned) distributions or major new investments in the portfolio. Until recently the portfolio had been in realisation mode, so we can assume that the easily realisable assets have been easily realised, and perhaps this accounts for the discounted share price, or at least some of it. But even so with a 39% discount (~60% upside) to the last NAV and a highly rated new management team there would seem to be plenty of upside potential from a value perspective alone.

# Mercia Technology (MERC)

### Investment Objective

With an emphasis in the Midlands and the North of the UK, Mercia is focused on creating and developing companies within their technology sectors which are rich in intellectual property, are scalable and require relatively modest capital infusion. Mercia focuses on some of the highest growth sectors of the UK including: electronics, manufacturing, engineering and materials; software and the internet; digital and digital entertainment; and life sciences and Biosciences. Mercia has collaborative relationships with eighteen universities in the UK to access their flow of spinout and early stage investment opportunities. These relationships, together with the professional networks of Mercia's management and associates, provide Mercia with access to many investment opportunities in its areas of focus. Mercia has a differentiated investment model of combining managed funds to support early stage investment activity and offsetting most of the Group operating costs, followed by direct investment from its balance sheet to scale what it refers to as its "Emerging Stars" from the managed funds' portfolio. With entrepreneurs, industry experts and venture capitalists employed within the Company, Mercia's model is to provide management support to accelerate development and therefore enhance investment value.

## Balance Sheet

| ***Mercia Technology Balance sheet*** | | |
|---|---|---|
| ***Interim 30 Sept 2016*** | | |
| | | |
| Investments | £ 46,616,000.00 | |
| Goodwill | £ 10,328,000.00 | |
| Other Assets | £ 1,517,000.00 | |
| Receivable | £ 693,000.00 | |
| Cash & Liquid | £ 24,011,000.00 | |
| Total Assets | | £ 83,165,000.00 |
| Payables | £ 1,553,000.00 | |
| Deferred Tax | £ 271,000.00 | |
| Total Liabilities | | £ 1,824,000.00 |
| | | |
| **Net Assets** | | **£ 81,341,000.00** |
| **NAV per Share** | | **£ 0.38** |

Source: Based on Mercia Technology's published interims to 30 Sep 2016 / compiled by Hybridan LLP

## Portfolio

| Portfolio | Sector | Description | % Portfolio |
|---|---|---|---|
| Science Warehouse Ltd | Software: Enterprise | cloud based procurement platform which gives customers full control of the purchasing cycle and can offer significant cost savings | 21.27% |
| nDreams Ltd | Software : Entertainment | gaming & gamification publisher specialising in the pioneering new virtual reality sector. | 16.48% |
| Concepta plc | Healthcare | Women's Health diagnostics | 8.37% |
| VirtTrade Ltd | Software: Entertainment | Virtual card trading platform | 6.06% |
| Warwick Audio Technologies Ltd | Technology: Hardware | development of flat and flexible loudspeaker (FFL) solutions for Original Equipment Manufacturers | 5.17% |
| Edge Case Games Ltd | Software : Entertainment | developer and publisher of video games, aimed at the free-to-play market | 4.96% |
| Allinea Software Ltd | Software: IT | Developing and optimising high performance computing applications | 4.11% |
| Smart Antenna Technologies Ltd | Technology: Telecom | multi-function antennae solutions for electronic devices | 3.92% |
| LM Technologies Ltd | Technology: Hardware | designs, develops and manufactures Wireless Modules and Adapters, enabling the Internet of Things (IoT) and cable replacement applications | 3.80% |
| Ton UK Ltd t/a Intelligent Positioning | Software: Enterprise | data-driven enterprise SEO platform | 3.75% |
| Soccer Manager Ltd | Software; Entertainment | free-to-play online computer game, available in both a single and multiplayer version across multiple devices. | 3.43% |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

11 Oct 2016: **Edge Case Games,** officially launched Fractured Space, on 22 September 2016. In the first two weeks, the game had already achieved over 200,000 installations and is ahead of its revenue targets. **Soccer Manager**, a developer of online football management games, launched its latest single player game, Soccer Manager 2017, for PC, Android and iOS on 12 September 2016. Soccer Manager is now seeking to build on the strong interest it has seen from potential Chinese publishing partners in order to penetrate the Chinese mobile gaming market, currently the largest in the world.

13 Oct 2016: **nDreams**, releases “The Assembly”, as a launch title for Playstation

27 Oct 2016: follow-on investment of £1.0m into **Oxford Genetics Limited** a synthetic biology company with significant expertise in DNA design.

16 Nov 2016: follow-on investment of £1.0million into **nDreams Limited**

16 Dec 2016: Sale of **Allinea Software Limited** to ARM Limited, for a total cash consideration of up to £18.1m. (£2.6m to MERC) The sale represents a return of circa 21x on the original investment cost.

18 Jan 2017: A new direct investment of up to £1.9million in Faradion Limited, Mercia has invested an initial tranche of £1.3million which represents an equity holding of 13.6%. Dependent on the completion of specific performance related milestones, a second tranche of £600,000 will be invested within the next 18 months.

## Conclusion

Only the largest 80% of holdings by value are listed in the table above. There are another eight ( nine including Faradion) smaller holdings and thus plenty of shots on goal. Looking at its Twitter there is plenty of activity within the investee companies. The group also manages circa £228.0m of third party funds and these are often focussed on early stage companies that can then benefit from follow on investment by Mercia Tech., thus the pipeline of new potential direct investments (via the total managed funds) has grown from circa 35 companies to circa 150. It is expected that this can provide some relatively quick successes from the circa £24m of cash waiting to be deployed (less £1.9m for Faradian). The track record has been very positive and there have been three exits/IPO events to date and the positive re-valuations are coming through. The stock is tightly held which perhaps accounts for some of the 38% premium to the last NAV, though there will be an uplift from the Allinea transaction to offset some of that and there is the fund management business which adds plenty of value too. When compared to a peer group of other ‘Tech Transfer’ businesses the valuation is more modest and therefore the premium is probably quite sustainable over the medium term.

# TERN PLC

## Investment Objective

The Company's investing strategy is to identify and acquire underexploited technology assets where it can add value through management's commercial and technical experience, expertise and contacts. Tern looks to add value to its holdings and hopes to deliver strong returns to shareholders by:

- taking influential ownership positions;
- strengthening management teams;
- deploying additional resources where necessary;
- leveraging the Board's network and access to global markets; and
- seeking to complete trade sales within 36 months.

Tern will also seek out investment opportunities to roll up into and grow its flagship investment, Device Authority. New investments will be made using returns from disposals, strategic placements or a combination of both.

## Balance Sheet

| ***Tern PLC Balance Sheet*** | | |
|---|---|---|
| ***Full Year 30 June 2016*** | | |
| | | |
| Investments | £ 7,332,350.00 | |
| Loans | £ 20,894.00 | |
| Cash & Equiv. | £ 5,172.00 | |
| Current Assets | £ 134,897.00 | |
| Total Assets | | £ 7,493,313.00 |
| | | |
| Borrowings | £ 104,441.00 | |
| Trade & Payables | £ 107,849.00 | |
| Total Liabilities | | £ 212,290.00 |
| | | |
| **Net Assets** | | **£ 7,281,023.00** |
| **NAV per share** | | **£ 0.1049** |

Source: Based on Tern's published interims to 30 June 2016 / compiled by Hybridan LLP

## Portfolio

| Portfolio | % Portfolio | | |
|---|---|---|---|
| Device Authority Limited | 90% | IOT:Cyber Security | end-to-end security for IoT-enabled devices |
| FlexiOPS Ltd | 3% | Software: Enterprise | project management & development of Horizon 2020 and FP7 technology projects |
| Push Technologies | 5% | Software: Data | a real time data distribution platform |
| Seal-Software | 2% | Software: Enterprise | software which performs complex analysis of contractual data |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

19 July 2016 : A further placing of 6.56m ordinary shares at a price of 8p raising £525k.

21 July 2016: The two business units acquired from Flexiant Limited for £75,000 are well advanced with significant changes being implemented to improve performance.
Trading has recommenced and to date over £90,000 has been collected from debtors.

5 Sept 2016: Tern issued and allotted 198,151 Ordinary Shares of 0.02 pence each pursuant to the exercise of a share warrant exercisable at 2 pence per share.
7 Sept 2016: Device Authority announced a strategic partnership with DigiCert.

12 Sept 2016: Device Authority announced that it has become a Dell IoT Solutions Partner.

20 Sep 2016: Device Authority has received an order for its new KeyScaler(TM) IoT security platform. The three-year contract has a minimum value of $300k and there is an expectation of increases in uptake over the life of the contract.

22 Sep 2016: The Appointment of Al Sisto as Chief Executive of Tern, with immediate effect. Angus Forrest will continue to focus on strategy, relationships and corporate development. Al will also continue to act as executive chairman of Device Authority Limited

7 Oct 2016: Raised approximately £2,550,000 before expenses, by way of a placing of 36,428,557 new ordinary shares of 0.02p each at a price of 7p per ordinary. Additionally, subscribers in the Placing receive a warrant to subscribe for 1 share for every 2 shares purchased, at a price per warrants of 12p, exercisable at any time before 12 April 2018. Following strong institutional demand the placing was oversubscribed and it was necessary to scale back investors.

19 Oct 2016: Invested £2m in Device Authority in a £2.5m funding round. Alsop Louie Partners and all existing A Preference shareholders have taken up their pro-rata share.
3 Nov 2016 Completed the sale of the assets and business of Concerto to Ingram Micro Inc., The total consideration was $500k in cash, payable $425k on completion with $75k at the end of 12 months. Tern acquired Concerto alongside Flexiant Research in June 2016 for a combined total of £75k in cash. Tern plc announces that it is issuing 3.4m Ordinary shares of 0.02p pursuant to the conversion of a loan note. The enlarged issued share capital of Tern will be 118.5m. £75k was paid out in cash.

## Conclusion

In its short life Tern has already generated some strong performance. In October, at the time of Tern's additional investment, the Enterprise Value of Device Authority was calculated at £18.4m. Tern has 60.7% of the A ordinary shares, and 50.6% of the A preference shares. There are also B shares (which it does not own) that are entitled to 25% of the Company on a sale, so knocking 25% off for the B shares, we can perhaps estimate a revaluation to around £7-£8m. vs an in-cost of £4.3m. (worth perhaps a couple of pence on the NAV).
Stripping out Concerto from Flexiant has resulted in the sale of Concerto for $500k (in Nov) and the retention of FlexiOPS. The total cost of the combination was just £75k in June. Adding up the cashflows since the interims and dividing by the latest Shares-Out gives an NAV around 6.8p. and adding in a few pence more for the Device Authority uplift probably brings the estimated discount into the low teens (Caveat: There are a lot of estimates and assumptions in these calculations.) Obviously, we should not extrapolate this level of performance too far, but it gives a very strong validation as to the ability and 'eye' of the management team.

# TMT Investments *

(*Hybridan Corporate Client)

## Investment Objective

The Company's objective is to take advantage of opportunities to invest in the TMT Sector, by providing equity and equity-related investment capital, such as convertible loans, to private companies which are seeking capital for growth and development, consolidation or acquisition, or as a pre-IPO financing. Investee Companies are predominantly US based but it will consider any geographical area, but priority is the US, followed by Europe, and then a minor interest in Israel. The Company will not be subject to any borrowing or leveraging limits. Each investment is targeted to support rapidly-growing private companies to increase market share and achieve long-term shareholder value. The Company intends to work closely with the management of each investee company to create value by focusing on driving growth through revenue creation, margin enhancement and extracting cost efficiencies, as well as implementing appropriate capital structures to enhance returns. The Company may invest in Public companies too. Preferred industry segments are Business SaaS tools, Big Data solutions, E-Commerce and Mobile.

## Balance Sheet

| ***TMT Investments Balance Sheet*** | | |
|---|---|---|
| ***Interim 30 June 2016*** | | |
| | | |
| Equity Investments | $ 44,400,928.00 | |
| Convertible Investments | $ 2,652,789.00 | |
| Receivables | $ 206,081.00 | |
| Cash & Liquid | $ 5,923,779.00 | |
| Total Assets | | $ 53,183,577.00 |
| | | |
| Payables | $ 125,583.00 | |
| Total Liabilities | | $ 125,583.00 |
| | | |
| **Net Assets** | | **$ 53,057,994.00** |
| **NAV per share** | | **$ 1.91** |

Source: Based on TMT Investments published interims to 30 June 2016 / compiled by Hybridan LLP

## Portfolio

| Equity | Sector | Description | % Portfolio |
|---|---|---|---|
| DepositPhotos | E-Commerce: Marketplace | A photobank (an online image marketplace) acting as intermediary between picture right owners and buyers | 23.03% |
| Backblaze | Software: Data Storage | Online data back-up and cloud storage provider | 20.45% |
| Wanelo | E-Commerce: Marketplace | Online social discovery shopping platform | 11.41% |
| Wrike | Software: Collaboration | Leading provider of online work management software that helps thousands of teams get more things done and done faster | 9.15% |
| Pipedrive | Software: CRM | Provides simple-to-use but powerful online sales management software aimed at business people who want to actively drive their sales process and spend less time on administration | 6.58% |
| Virool | E-Commerce: Video Sharing | Native video advertising platform | 3.85% |
| Unicell | Telecom: Mobile Solutions | Provider of digital marketing solutions and mobile applications and services in Israel | 3.09% |
| Le Tote | E-Commerce: Subscription | A fashion rental platform for women paying monthly membership fees for unlimited garments and accessories | 2.27% |
| Anews | Software: Adtech | A rapidly growing global news-reading service with a built-in behavioural advertising network | 2.13% |
| Other Equity & Convertible Investments | | | 18.04% |

Source: Based on published information / compiled by Hybridan LLP

## Subsequent Events

July 2016, the Company invested US$300,000 in cloud-based PC emulator Sixa, Inc. (www.sixa.io).

In August 2016: invested an additional:

- US$200,000 in native video advertising platform Virool, Inc. (www.virool.com)
- US$300,000 in Theirapp, Inc., developer of APPrise-branded mobile apps for the public relations, investor relations, and corporate communications industries

4 Oct 2016 : USD 0.10 special dividend declared

23 Nov 2016: Vitalfields acquired by Monsanto.

19 Jan 2017: Pipedrive completed a US$20 million Series B equity financing round, led by Atomico, with participation from Bessemer Venture Partners and Rembrandt Venture Partners.

The transaction represents a revaluation uplift of approximately US$4.08 million (or 132%) in the fair value of TMT's investment in Pipedrive, compared to the latest announced amount (30 June 2016), and is equivalent to approximately 14.7 cents in additional net asset value per TMT share.

## Conclusion

TMT has successfully exited from eight investments (including two partial exits) since inception in 2010. This demonstrates the management team's ability to identify highly promising companies with exceptional leadership at an early stage. Inevitably there have been and will be write-offs but the winners can and do easily compensate for the losers. There are currently around 35 holdings in the portfolio and the value can kick in at any time. Taxify (taxi fleet management app with backend software) has recently experienced a 500% growth of sales and is still growing at around 20% per month as the business suddenly caught alight. Three years ago, they were handing leaflets to taxi drivers, now it has over 800k customers in 15 countries. This is the nature of the type of investments in the TMT portfolio. Paradoxically the successful companies often create a valuation lag as they start to generate large amounts of cash, and therefore they do not need the 'up-round' fund raises that would allow for the NAV to be marked higher.

Following the Company's recent Tweets we can see that ***VitalFields*** was acquired in November. ***Sixa*** has raised $3.5m, ***Taxify*** now has 800k customers in 15 countries and new apps have been launched from ***APPrise, Attendify and Drippler***. Going further in we can find of circumstantial evidence of significant growth in many of the other investee companies such as ***Wrike***, ***ScentBird, LeTote, Wanelo or Backblaze*** for example. So there is plenty of upside potential.

The NAV of TMT at the end of June was $1.91c. Since then there has been a one-off dividend of 10c. paid out and the Pipedrive announcement has added 14.7c. So we can estimate an NAV around US$1.96. With the shares quoted at $1.675 this represents a discount to the estimated NAV of around 12% which given the number and scalability of the investments in the portfolio, and the likelihood of other up-rounds, seems very good value. The company itself stated in its interim report, "With many of our portfolio companies experiencing rapid growth, we expect a number of positive revaluations of our investee companies in the future, as we achieve exits or investee companies' complete future equity financing rounds, and will update shareholders as appropriate."

## Concluding Thoughts

Investors looking to get exposure to tech stocks can easily sub-contract the stock selection and management to an investment company or fund manager. However even that process requires a fair bit of investigation. Before even considering the merits of the underlying investments there are several key questions:

Can the manager get access to good and proprietary deal flow? Attractive people know that they are attractive, and so do attractive companies; even very early stage small ones. Attractive companies can raise the funds they need and often they are looking for more than just cash when they seek investors. Of course, there is a valuation element to this as well – the attractive companies being more highly valued – but looking at the quality and history of the existing portfolio companies can give some measure of how well connected as well as how smart the management team are.

What is the model? Do the underlying companies need hand holding and many rounds of investment or are they ready to go into scale-up? Some managers are better at bringing on smaller companies and some better at catching the wave. A portfolio approach will typically have more diversity and results (good or bad) will flow through more quickly. The VC type approach will take longer but allows for the model and the personnel to be adjusted and changed.

Then there are the more objective measures such as costs. Are the management fees paying for overheads or fund management? Some of the smaller companies will be paying a disproportionate amount in listing costs for example. Some of the companies can share some of the management costs from providing fund management services to other funds or services to investee companies.

And finally, discount/premium. The nature of these companies' valuation mechanisms that means it is not always clear what is at a discount or a premium, but somewhere down the line everything must revert to Net Asset Value. Discounts can always get wider, and premia stronger, but if it does not happen by itself, there comes a point where shareholders will say "enough discount, lets wind this up" as there also comes a point where companies trading on a premium say, "let's issue more shares".

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Hybridan LLP

20 Ironmonger Lane, London, EC2V 8EP

T +44 (0) 20 3764 2341, F +44 (0) 20 7600 1586

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