

Bailador Technology Investments [ASX:BTI] Shareholder Update

About Bailador

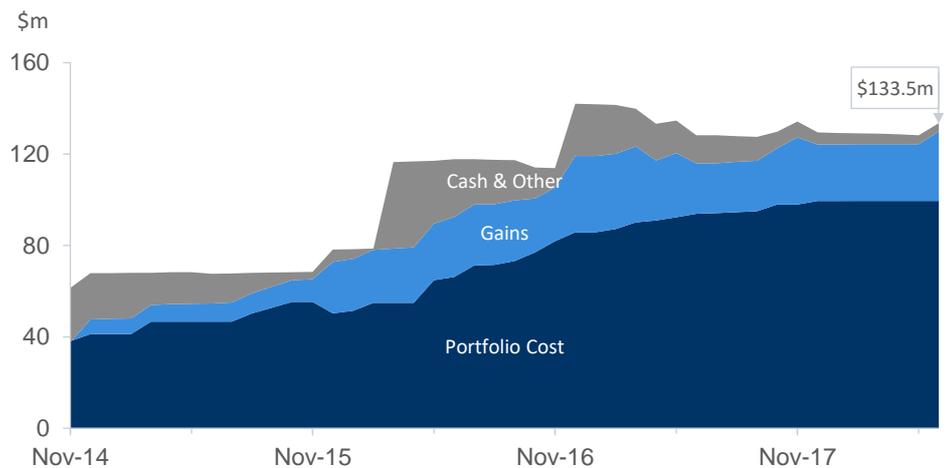
Bailador Technology Investments is a growth capital fund focused on the information technology sector, actively managed by an experienced team with demonstrated sector expertise.

Bailador provides unique exposure to a portfolio of information technology companies with global addressable markets. We invest in private technology companies at the expansion stage utilising extensive downside protection.

Net Tangible Asset Snapshot

	Current month
NTA per share pre-tax	\$1.11
NTA per share post-tax	\$1.06

Net Tangible Asset Breakdown Since Inception



Founders' Commentary

There are three changes in the valuation of portfolio companies at 30 June 2018. Specific movements are detailed on page 3 of this statement, and valuations for each company are set out on page 4.

Before saying a few words about each company whose value has changed, a more general word on our approach to valuing our portfolio companies. Our methodology is generally to hold investments at cost until there has been a third party transaction in the company that implies a different valuation. Material valuation changes are recognised immediately. If it is 12 months since investment, third party event or valuation change, then we specifically examine the progress of the business to determine if a valuation change is warranted.

We put a lot of effort into *analysing* what we think the appropriate valuations are. We track the key metrics and regularly compare to market data. We have help in this from our Independent Expert, BDO, who values each company for us at financial year end, and from our auditors, Hall Chadwick, who review every number carefully. In addition, our independent directors, who all have highly relevant experience, test and challenge and consider carefully what the numbers are telling us. But just as important as analysis to valuation is *attitude*. Our attitude is to move quickly and decisively if we think a valuation should move down, and to be measured and conservative if we think a valuation should move up. This approach hurts us (and you) in the short term but we believe it will be very helpful in the long term. In our experience, nothing builds a reputation and supports a share price more strongly than pleasant surprises when selling.

The three companies whose values have changed this month are SiteMinder, Viostream and DocsCorp. **SiteMinder's** valuation has not been adjusted for more than a year and continued excellent performance requires a move. SiteMinder has all the attributes of the very best global software-as-a-service businesses –

Connect to Bailador

- [@bailadorvc](#)
- [Bailador Technology Investments](#)
- [medium.com/bailador](#)
- [www.bailador.com.au](#)
- [investorservices@bailador.com.au](#)
- +61 2 9223 2344

[Subscribe to get Bailador updates](#)

strong revenue growth, high gross margins and a very large market to grow into. SiteMinder is the runaway world leader in its markets and is increasingly becoming the consolidator of online connectivity for hotels, in the industry jargon, an online platform for the hotel industry. SiteMinder already has the scale and attributes to be a top tier ASX technology stock if listed, and together with the other SiteMinder shareholders, we continue to consider this pathway. In addition, SiteMinder's strategic position continues to strengthen, meaning that it is an attractive acquisition candidate in due course for a number of very large global companies. BTI's carrying value for SiteMinder is a 38% increase at 30 June 2018.

Viostream's valuation has been adjusted down quite sharply in June. The company has made good progress in many areas in 2018, winning five new enterprise customers in the final quarter and progressing important product development. Costs have reduced materially. The fourth quarter of the financial year is by far the largest quarter for Viostream, delivering around 50% of the company's sales. Viostream simply did not deliver the sales required in the final quarter to justify maintaining the previous carrying value. The valuation has suffered an (appropriate) double whammy as lower revenue growth has led us to believe a lower multiple of revenue should be applied. We have been aggressive in the write-down. We think the business will continue to grow and it is now profitable, but we feel very comfortable at this valuation level. BTI's carrying value for Viostream has been written down by 61% at 30 June 2018.

DocsCorp has been marked up by 23% on the back of another year of good performance and an increasing share of revenue being recurring which attracts a higher multiple.

The valuation for **Stackla** was also reviewed at 30 June. The business has performed well over the last 12 months, winning numerous high profile clients, establishing key partnerships and continuing leadership in their tech stack. However, there have been variations in valuation multiples of transactions within Stackla's industry sub-sector, so we have chosen to wait for a third party event before adjusting BTI's valuation.

The net impact of these valuation changes is an increase of \$5.2m in NTA at 30 June 2018, 4.1% higher than the previous month. We anticipate further third party transactions in the portfolio in coming months.

The portfolio is in very good shape. Total portfolio revenue growth to 30 June 2018 was 31%, the last 12 months revenue of the underlying portfolio companies is \$190m and the EV/LTM Revenue valuation multiple at the current share price is 4.3x. We have said it before and we will say again, the current share price *significantly* undervalues the BTI portfolio of investments in 10 established fast growth technology businesses.

David Kirk & Paul Wilson
Bailador Co-Founders

Important Notice

Bailador Investment Management Pty Ltd CAN 143 060 511 ('Manager') has prepared the information in this announcement. This announcement has been prepared for the purposes of providing information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in BTI, nor does it constitute financial product or investment advice, nor take into account your investment objectives, taxation situation, financial situation or needs. Any investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of BTI and conduct its own investigations and analysis. Past performance is not a reliable indicator of future performance.

Investment Focus

Bailador typically invests \$3-5m in businesses within the technology sector that are seeking growth stage investment.

Companies we invest in typically share the following characteristics:

- Run by the Founders
- Two to six years in operation
- Proven business model with attractive unit economics
- International revenue generation
- Huge market opportunity
- Ability to generate repeat revenue
- Require capital to grasp this opportunity

Important verticals we seek to invest in within the technology sector include: SaaS and other subscription-based internet businesses, online marketplaces, software, eCommerce, high value data, online education, telecommunication applications and services.

Highlights

SiteMinder

BTI has increased the carrying value of SiteMinder by 38% to \$55.9m. SiteMinder is the clear world leader in hotel channel management and online connectivity, continuing to generate high revenue growth at very attractive gross margins, with a huge addressable market. It has clear product leadership, and increasingly generates revenue from multiple products as part of its platform offering.

This technology leadership has again been demonstrated with the [launch of SiteMinder Exchange](#), which will allow property management systems and makers of apps for the hotel industry to simplify and expedite the sharing of data between their systems. We are very pleased to have SiteMinder as the cornerstone holding of the BTI portfolio.



Viostream

BTI has revised the carrying value of Viostream down by \$11.5m to \$7.4m to reflect the performance of the business during the second half of FY2018 and applicable revenue multiples. The last quarter of FY2018 is an important sales period for Viostream and the business did not achieve the anticipated new revenue forecasts.

This underperformance also impacted the valuation multiple that is appropriate to apply to the business. Despite the lower than anticipated revenue performance, the second half of FY2018 delivered material cash flow profitability. Going into FY2019 the business is set up with a high margin recurring revenue stream and substantially lower cost base along with the planned launch of two additional products.

DocsCorp

BTI has increased the carrying value of DocsCorp by 23% to \$9.2m. This valuation reflects the business' increased recurring revenue mix and progress the company has made since June 2017. The DocsCorp business continues to perform well with a growing high margin recurring revenue stream, loyal customer base with a net positive churn rate and over 450,000 users licencing its products. Management have set the business up for continued growth in FY2019 by appointing a new Global Head of Sales and securing partnership integrations with Netdocuments and iManage.

Stackla

Stackla continues to add world leading brands as clients, recently adding Facebook, Nintendo, and L'Oreal among others. Importantly, clients are reaping the benefits of the Stackla platform as demonstrated in an [Air France case study](#).



Straker

Straker has completed the [acquisition of Sociedad Management System Solutions \(MSS\)](#), a niche translation company based in Spain, with a roster of attractive clients. Straker will leverage its superior technology and operating platform to reduce cost of fulfilment, thereby achieving higher margins. This is consistent with Straker's stated strategy, successfully executed with two previous acquisitions.

With the industry's most efficient translation platform, leveraging ever improving machine translation supplemented with crowdsourced fulfilment, Straker is ideally positioned to continue its impressive growth ahead of a targeted ASX listing.

BTI Portfolio Net Tangible Asset Summary

	Cost (\$'m)	Implied Gain (\$'m)		Valuation (\$'m)	Gain (%)		NTA per share (\$)	Third Party Event Valuation	Next Valuation Review ¹
SiteMinder	13.8	42.1	▲	55.9	305%	▲	0.47		June 2019
Stackla	11.2	1.4	▲	12.6	13%	▲	0.10	✓	June 2019
Straker Translations	7.5	3.7	▲	11.2	49%	▲	0.09	✓	October 2018
Lendi	5.5	4.0	▲	9.5	73%	▲	0.08	✓	December 2018
Instaclustr	4.5	4.8	▲	9.3	107%	▲	0.08		November 2018
DocsCorp	5.0	4.2	▲	9.2	83%	▲	0.08		June 2019
SMI	7.4	0.0	▶	7.4	0%	▶	0.06		March 2019
Viostream	26.4	-19.1	▼	7.4	-72%	▼	0.06		June 2019
Rezdy	3.6	0.9	▲	4.5	25%	▲	0.04	✓	February 2019
Brosa	3.0	0.0	▶	3.0	0%	▶	0.02	✓	October 2018
Cash				3.8			0.03		
Other				-0.1			0.0		
Net Asset Value / Net Asset Value Per Share (Pre Tax)				133.5			1.11		

Denotes change to valuation in current month

Denotes valuation review in next six months

¹ Next valuation review date refers to the period 12 months since the last valuation movement. Valuation events can also occur in a shorter time frame where there is a third-party investment

Please Note

Figures in this report are unaudited and exclude tax.

 The current value for each investment in the table above is consistent with the BTI investment valuation policy, which may be found in the BTI prospectus lodged with ASIC on 3rd October 2014 and available on the ASX website.

Portfolio Company Details



Name:	SiteMinder	Stackla	Straker Translations	Lendi	Instacluster
Type:	SaaS/B2B	SaaS/B2B/UGC	Marketplace/Machine Learning	Fintech	DBaaS/B2B
About:	World leader in hotel channel management and distribution solutions for online accommodation bookings	Leading tech platform for brands to leverage User Generated Content (UGC) in their marketing strategy	Cloud-based translation services provider and one of the world's fastest growing translation companies	Australia's #1 home loan provider disrupting the multi-billion-dollar mortgage industry	Open source data platform for cloud-based solutions that require immense scale
HQ:	Sydney	San Francisco	Auckland	Sydney	Canberra
Staff:	550-600	50-100	50-100	250-300	50-100



Name:	DocsCorp	SMI	Viostream	Rezdy	Brosa
Type:	SaaS/Document Productivity	SaaS/Big Data	SaaS/Video	SaaS	Online Retail/B2C
About:	Global leader in the rapidly growing Document Productivity segment	Big data aggregation and analysis platform with exclusive access to ad expenditure data	Cloud-based end-to-end platform for the creation, management and distribution of video	Leading, innovative and fast growing online channel manager and booking software platform for tours & activities	Tech-led, vertically integrated furniture brand and online retailer
HQ:	Sydney	New York	Sydney	Sydney	Melbourne
Staff:	100-150	1-50	1-50	50-100	1-50

For personal use only