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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 which forms part of domestic law in the United Kingdom pursuant to The European Union Withdrawal Act 2018, as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019.

29 July 2024

## Chrysalis Investments Limited ("Chrysalis" or the "Company")

### Quarterly NAV Announcement and Trading Update

#### Net Asset Value

The Company announces that as at 30 June 2024 the unaudited net asset value ("NAV") per ordinary share was 145.25 pence.

The NAV calculation is based on the Company's issued share capital as at 30 June 2024 of 595,150,414 ordinary shares of no par value.

June's NAV represents a 2.21 pence per share (1.5%) decrease since 31 March 2024.

Movement in the fair value of the portfolio accounted for approximately 1.72 pence per share, with foreign exchange generating an adverse movement of approximately 0.18 pence per share. Fees and expenses make up the balance.

#### ***Richard Watts and Nick Williamson, Managing Partners of Chrysalis Investment Partners LLP comment:***

*"The Company's NAV saw a small decline over the period, with improvements in the valuations of a number of positions offset by the material write down in wefox. Following further recent investment into wefox, the Company's position is now substantially underpinned by downside protection mechanisms, significantly reducing the downside materiality to the Company's NAV from this asset.*

*Liquidity has improved substantially post period end, with the announcement of the sale of Graphcore to SoftBank Group Corp ("SoftBank"), and currently stands at approximately £49 million, putting the Company in a strong capital position having met the "cash reserve" element of the Capital Allocation Policy.*

*Market interest in the later-stage, private assets space remains encouraging. In May, Forge's Private Markets Update showed a big drop in the level of investor intention to sell, which it notes "may be due to growing confidence in their equity holdings".*

*We continue to advise on maximising the value of the Company's portfolio holdings while exploring opportunities, at the appropriate price, to increase liquidity, including the option of raising debt. The potential outcomes we are advising on are at different stages of maturity and certainty and we look forward to updating the market once we have more clarity. Considering the improved liquidity backdrop the Board is now reviewing how to best implement the second phase of the Capital Allocation Policy."*

#### **Portfolio Activity**

Chrysalis invested €5.5 million into wefox in the period as part of a funding solution it has been discussing with both the company and other shareholders. A portion of the Wise position, amounting to £6.2 million, was sold in the period thus more than funding this investment.

Post period end, a further €15 million was invested into wefox, which was more than covered by the proceeds from selling the entire position in Graphcore, which raised approximately £45 million, of which £44 million has been received to date. The Investment Adviser does not envisage wefox requiring further investment by the Company.

#### **Portfolio Update**

The portfolio in aggregate continues to perform robustly:

#### **Starling**

Starling's valuation rose in the period driven by multiple expansion of the listed peer group and removal of the calibration discount to the last secondary transaction (albeit an illiquidity discount is still applied). The progress of Engine has also begun to drive valuation upside for Starling.

Following significant news flow in the prior quarter, namely the appointment of Raman Bhatia as CEO and the success of Engine, this quarter saw less news flow; however, the Investment Adviser believes the company continues to perform in-line with its expectations.

#### **wefox**

The valuation of wefox fell materially in the period, reflecting both an increase in weighting towards valuation multiples in the lower quartile of the relevant group of listed peers, as well as the addition of a significant discount at group level, to reflect recent funding uncertainty. The underlying revenues that the above multiples were applied to were broadly consistent versus the last quarter.

The Company has supported wefox with additional capital and the Investment Adviser has been working closely with other stakeholders to create a viable solution to wefox's funding requirements that it believes will allow the business to continue its journey towards profitability.

#### **Klarna**

Klarna announced the sale of Klarna Checkout, which has a 40% market share in Sweden and 20% across the Nordics, in June. Klarna has been building functionality with multiple payment service providers ("PSPs") over recent years, and the Investment Adviser believes this disposal could allow Klarna to form closer relationships with global PSPs.

Elsewhere, Klarna Plus - Klarna's first subscription service for US customers - reached 100,000 subscribers. Klarna Plus allows members to waive certain service fees and get access to special deals and offers. Costing \$7.99 per month, this suggests Klarna Plus is generating approximately \$10 million annually, contributing towards Klarna's 1Q24 revenue growth in the US of 38% year-on-year.

Klarna's drive towards AI continues. Approximately 87% of Klarna's employees are now using AI, with the internal Kiki assistant dealing with 2,000 enquiries per day. Externally, AI has helped Klarna reduce its sales and marketing expenses by \$10 million on an annualised basis, contributing to S&M expenses falling 11% in 1Q24.

Speculation concerning an IPO continues to swirl. The CEO has given a number of interviews in the quarter indicating that an IPO is likely to happen "quite soon" and intimating it would occur in the US.

The Company has already considered the ramification of such a move; at the Company's carrying value, this could imply a liquidity injection of £100 million if a full exit is made, equivalent to approximately 21% of the Company's current market capitalisation.

#### **Smart Pension**

In March 2024, Smart announced that Assets under Management ("AuM") hit £5 billion in the UK Smart Pension Master Trust ("SPMT"), with regular contributions now running at £1 billion per annum. This growth has been driven organically as well as through acquisitions, such as that of Evolve in June 2023, which added £750 million in AuM.

In June 2024, STM - the owner of the Options Master Trust ("Options") - announced it had signed an agreement with Smart to propose to Option's trustees that they consider transferring its assets to Smart; the Investment Adviser believes Options has AuM of over £500 million.

Earlier in the year, Jamie Fiveash - the CEO of SPMT - gave an interview in which he stated that he anticipates reaching £10 billion of AuM within three years, demonstrating significant growth prospects.

The valuation increase in the period reflects the progress that Smart is making.

#### **Brandtech**

A key focus for Brandtech in recent quarters has been the integration of Jellyfish, which completed in July 2023 and represented the largest acquisition in the company's history. Significant progress has been made here in recent months and management is beginning to prioritise driving customer wins and organic growth across the Media division.

Momentum is building for PencilAI, the Group's generative AI marketing solution, and this has led to a number of leading brands such as Unilever and Bayer utilising the technology. We are excited about the level of engagement we are seeing between Global brands and Brandtech with regards to the application of generative AI and we are hopeful that this translates into contract wins and revenue over the remainder of the year.

The valuation decrease of Brandtech reflects market multiple contraction during the period.

#### **Featurespace**

Featurespace has continued to grow well against a backdrop of ongoing, significant fraud in society.

Featurespace reports that three in ten UK adults have been a victim of financial fraud and 55% of them have seen an increase in scam attempts in the last 12 months. Data from the National Crime Agency shows fraud is now the most common crime in the UK, accounting for 40% of all offences recorded in England and Wales.

In the period Featurespace released its annual report and accounts for the year to December 2023, which showed 47% revenue growth to £50.4 million, with recurring revenues accounting for 79% of revenues, up from 70% in 2022. Due to this strong topline growth, the loss for the year decreased from -£20.9 million in 2022, to -£8.1 million. Despite these losses, cash flow was strong - cash rose to £28.7 million from £25.7 million - and the Group expects to maintain a "strong financial position, without the need for additional equity or debt capital".

Featurespace's valuation rose slightly in the period driven by market multiple expansion.

#### **Cash Update**

As of 30 June, the Company had net cash of approximately £16 million and a position in Wise of approximately £2 million, to give a total liquidity position of approximately £18 million. As announced on 12 July 2024, Graphcore was sold to SoftBank; the Company can confirm it has received initial proceeds of £44 million, which has significantly bolstered its current liquidity position.

position.

The majority of the portfolio remains well funded. Having committed further capital to wefox post period end, amounting to approximately €15 million, the Investment Adviser does not expect this asset to require further material funding. Elsewhere, there are expected to be additional, modest funding requirements across the portfolio in the short to medium term - some of which are to accelerate growth - but the Company is considered to have sufficient available liquidity over that period to address these.

### **Portfolio Composition**

As of 30 June 2024, the portfolio composition was as follows:

<b>Portfolio Company</b>	<b>30-Jun</b>	
	<b>Carrying Value (£ millions)</b>	<b>% of portfolio</b>
Starling	258.9	29.9%
Smart Pension	125.4	14.5%
Klarna	100.3	11.6%
Brandtech	82.2	9.5%
Featurespace	74.2	8.6%
wefox	60.5	7.0%
Graphcore	45.4	5.2%
Deep Instinct	45.2	5.2%
Secret Escapes	26.2	3.0%
InfoSum	28.3	3.3%
Wise	2.0	0.2%
Sorted	0.3	0.0%
Growth Street	0.1	0.0%
Gross cash	16.3	1.9%

Source: Chrysalis Investment Partners LLP. Due to rounding, the figures may not add up to 100%. The above percentages are based on an aggregate portfolio value (including cash) of approximately £865 million for 30 June 2024.

### **Factsheet**

An updated Company factsheet will shortly be available on the Company's website: <https://www.chrysalisinvestments.co.uk>.

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#### **For further information, please contact**

##### **Media**

**Montfort Communications:** +44 (0) 7921 881 800  
Charlotte McMullen / Imogen Saunders chrysalis@montfort.london

**Chrysalis Investment Partners LLP:** +44 (0) 20 7871 5343  
James Simpson

**G10 Capital Limited (AIFM):** +44 (0) 20 7397 5450  
Maria Baldwin

**Panmure Liberum:** +44 (0) 20 3100 2000  
Chris Clarke / Darren Vickers

**Deutsche Numis:** +44 (0) 20 7260 1000  
Nathan Brown / Matt Goss

**Apex Administration (Guernsey) Limited:** +44 (0) 20 3530 3109  
Chris Bougourd

LEI: 213800F9SQ753JQHSW24

A copy of this announcement will be available on the Company's website at <https://www.chrysalisinvestments.co.uk>

The information contained in this announcement regarding the Company's investments has been provided by the relevant underlying portfolio company and has not been independently verified by the Company. The information contained herein is unaudited.

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The Company is an alternative investment fund ("AIF") for the purposes of the AIFM Directive and as such is required to have an investment manager who is duly authorised to undertake the role of an alternative investment fund manager ("AIFM"). The AIFM appointed is G10 Capital Limited (part of the IQEQ Group).

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