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28 October 2024

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

### Quarterly NAV Announcement and Trading Update

#### Net Asset Value

The Company announces that as at 30 September 2024 the unaudited net asset value ("NAV") per ordinary share was 141.26 pence.

The NAV calculation is based on the Company's issued share capital as at 30 September 2024 of 594,892,952 ordinary shares of no-par value.

September's NAV per share represents a 3.99 pence per share (2.7%) decrease since 30 June 2024. The decrease in the fair value of the portfolio accounted for approximately 1.59 pence per share, with foreign exchange generating an adverse movement of approximately 1.95 pence per share. Fees and expenses make up the balance.

Over the course of the Company's financial year to September 2024, NAV has risen by 6.61 pence per share, a 4.9% increase. This has been driven by movement in the fair value of the portfolio of approximately 13.44 pence per share, offset by an adverse foreign exchange movement of 5.59 pence per share, with fees and expenses making up the balance.

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

*"Despite the modest decline in the Company's NAV over the period, which was compounded by adverse foreign exchange movements, we were very encouraged by the substantial improvement to the Company's liquidity, which currently stands at approximately £109 million following the receipt of initial proceeds from the sale of Graphcore to SoftBank Group Corp ("SoftBank") and the draw down of a £70 million loan facility from Barclays Bank PLC ("Barclays"). At quarter end, a share buy-back commenced, in line with the Capital Allocation Policy ("CAP"), and as of 25 October, the Company had repurchased approximately 9.2 million shares at an aggregate cost of £8.5 million.*

*In terms of cash flow, we are optimistic that further liquidity will flow into the Company in the coming quarters. Initially, we would expect capital to be received from the sale of Featurespace to Visa, assuming the deal meets its required closing conditions. We are also expectant of a Klarna IPO in due course; the next potential window for this would appear to be 1H25. This would further boost the Company's liquidity and, if market rumours around IPO valuation prove to be correct, lead to further NAV per share accretion. Aggregating the initial proceeds expected from Featurespace (c£79 million) and the current carrying value of Klarna (c£121 million) generates a total of c£200 million of potential liquidity, equivalent to approximately 38% of the Company's market capitalisation (as of 24 October 2024) and is additive to the current liquidity position.*

*Given the possibility of significant liquidity that may be forthcoming for the Company, which should more than cover the second phase of the CAP - namely the return of up to £100 million to shareholders - the Investment Adviser has been discussing with the Board the merits of initiating a programme of new investment to tap into the exciting investment opportunities we are seeing in the current market. We believe a refreshing of the portfolio, which is likely to target late-stage private companies with long-term growth potential, is consistent with the ability of the Company to grow its NAV in the long-term."*

#### Portfolio Activity

Chrysalis invested €15 million into wefox in the period as a continuation of the funding solution it had been discussing with both the company, and other shareholders; however, this was more than offset by the inflow of the 57.4 million initial proceeds from the sale of Graphcore, resulting in the Company's cash position improving by approximately £32 million overall.

At the end of the period, the Company announced that Visa had signed a definitive agreement to acquire Featurespace. Cash proceeds of approximately £89 million are expected, of which initial consideration is likely to be approximately £79 million. This deal awaits clearance of certain closing conditions, including any applicable regulatory approvals, which means that no cash proceeds have yet been received.

#### Portfolio Update

Starling

Starling's valuation was broadly static over the period.

Following the appointment of Raman Bhatia as CEO, the company has been considering its medium-term strategy, a process into which the Investment Adviser has been feeding its views.

Post period end, the FCA fined Starling £29 million in relation to failings that occurred between December 2019 and November 2023, under the previous management, in onboarding certain high-risk customers and sanctions screening processes. The fine is paid in full and final settlement. Both a detailed re-screening of transactions, and an in-depth back book review of customer accounts in respect of the contraventions detailed in the Notice, has now been undertaken and extensive additional safeguards have been introduced to ensure the Bank complies with regulatory requirements. As at March 2024, the bank had "capital headroom" of £284 million.

Given the extensive growth opportunities that the company has access to, the Investment Adviser remains optimistic of the company's future growth path and ability to create value.

### **Smart Pension**

The carrying value of Smart was broadly unchanged in the period.

At an operating level, the business continues to perform well, showing strong revenue growth over the prior year and very significantly improved profitability, further to the major restructuring undertaken earlier in the year.

Following the acquisition of assets from the Options Master Trust, Smart expects Assets under Management ("AuM") to total £6 billion, up from £5 billion it achieved earlier in the year post the acquisition of Evolve Pensions.

The Investment Adviser continues to see significant organic growth opportunities for Smart, which it believes can be supplemented by targeted M&A.

### **Klarna**

The value of Klarna rose in the period, driven by increases in the valuations of listed peers.

Klarna released its first half results in the period. These demonstrated ongoing growth, with GMV rising 16%, revenue rising 27% and gross profit rising 22%. In addition, further progress was made in terms of profitability, with adjusted operating income of approximately 64 million, versus a loss of - 43 million in the prior half year.

Towards the end of the period and post period end, the company made a number of announcements that the Investment Adviser believes could have commercial importance in the coming years. These include:

- The ability of customers using Apple Pay online and in app to access Klarna's payment offerings in the US and UK, which the Investment Adviser believes is likely to have the most commercial potency in the coming years;
- A deal with Elliott Advisors (UK) to sell nearly all Klarna's short-term, interest free receivables in the UK over a number of years. This deal is designed as part of a range of measures to optimise capital efficiency and could lead to over £30 billion of additional funding for Klarna over the life of the transaction;
- A tie-up with Adyen to offer Klarna payment options at point-of-sale terminals in stores across Europe, North America and Australia;
- An integration with Xero, to help SMEs accept payments from customers wanting a BNPL solution; and
- The launch of "Apple from Klarna", a storefront from which customers can purchase Apple products using Klarna's payment options.

Separately, Klarna announced that its network of merchants had reached 600,000, having added over 100,000 over the last year.

In the Investment Adviser's view, the increased cadence of news flow ties in neatly with speculation surrounding Klarna's possible IPO; the next potential window for this appears to be the first half of 2025.

### **Featurespace**

The valuation of Featurespace had been written up in prior quarters, reflecting the likely completion of the acquisition of the company by Visa, which was announced in the period. The valuation of Featurespace was further written up in the quarter to reflect the successful signing of this deal, albeit with a modest discount to reflect the fact the deal has not yet completed.

Following a year of significant growth in 2023, during which time Featurespace grew revenues approximately 47%, the company has continued to see robust growth over the year to date.

### **Brandtech**

Brandtech has spent previous quarters focused on the integration of Jellyfish, which completed in July 2023 and represented the largest acquisition in the company's history. As part of its integration, a significant amount of work has been done to streamline the cost base, build the sales pipeline and reaccelerate organic growth, actions which have yielded an improvement in operating performance over the last few months.

Despite a tough backdrop, the rest of the group has continued to generate positive organic growth year to date and, in more recent months, momentum has improved. Pencil, Brandtech's generative AI marketing platform, was acquired in June 2023 and within weeks it was used to target global brands with the release of Pencil Pro, an AI-driven ad generation engine.

With the industry appearing to recover some poise after a difficult few quarters of trading, and with Brandtech having successfully bedded down Jellyfish, the Investment Adviser is optimistic that the outlook for growth and profitability is improving.

### **wefox**

The Company's recent investments into wefox over the last two quarters took the form of convertible loan agreements ("CLAs"). The carrying value of wefox was reduced in the period, as these CLAs are currently being valued as debt, thus not attributing any potential valuation uplift that could result from their conversion into equity.

During the period, a new CEO - Joachim Mueller, who previously held a number of CEO roles at divisions within Allianz - was appointed and is assessing the merits of various strategic directions for the company. The Investment Adviser had not been expecting wefox to require further capital, following the investment made during the quarter; however, the outcome of the CEO's analysis will determine whether this assumption is still valid.

In terms of trading, the company is tracking in line with its reforecast plan for the year.

### Cash Update

As of 30 September, the Company had net cash of approximately £45 million and a position in Wise of approximately £2 million, to give a total liquidity position of approximately £47 million. The cash position improved substantially over the quarter, due to the sale of Graphcore to SoftBank in July 2024.

Post period end, the Company entered into a £70 million loan facility with Barclays, which was drawn down in full in October, and has resulted in a further improvement of the liquidity position. Also post period end, a £40 million share buy-back programme was launched; as of 25 October, approximately £8.5 million had been spent buying approximately 9.2 million shares into Treasury.

### Portfolio Composition

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

Portfolio Company	30-Sep	
	Carrying Value (£ millions)	% of portfolio
Starling	254.4	30.2%
Smart Pension	123.4	14.7%
Klarna	120.6	14.3%
Featurespace	81.4	9.7%
Brandtech	80.2	9.5%
Deep Instinct	41.8	5.0%
wefox	36.2	4.3%
InfoSum	29.9	3.6%
Secret Escapes	25.3	3.0%
Wise	2.0	0.2%
Graphcore	0.9	0.1%
Sorted	0.3	0.0%
Gross cash	44.6	5.3%

Source: Chrysalis Investments Limited. Due to rounding, the figures may not add up to 100%. The above percentages are based on an aggregate portfolio value (including cash and amounts held as debtors) of approximately £797 million for 30 September 2024.

### Factsheet

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

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

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