RNS Number : 0085G
Chrysalis Investments Limited
04 November 2025

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4 November 2025

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

Quarterly NAV Announcement and Trading Update

Net Asset Value

The Company announces that as at 30 September 2025 the unaudited net asset value ("NAV") per ordinary share was 171.65 pence.

The NAV calculation is based on the Company's issued share capital as at 30 September 2025 of 509,499,538 ordinary shares of no par value.

September's NAV per share represents a 1.92 pence per share (1.1%) decrease since 30 June 2025. The decrease in the fair value of the portfolio accounted for approximately 3.88 pence per share, with foreign exchange generating an offset of approximately 1.17 pence per share. The share buyback led to 1.46 pence per share of accretion; other income, fees and expenses make up the balance.

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

"NAV per share was broadly unchanged in the final quarter, following its significant uptick over the third quarter, resulting in a strong performance - up 21.5% - over the financial year ended 30 September 2025.

Starling has been the key driver of NAV per share growth over the year and saw further progress in the last quarter. We continue to see Starling's Engine proposition as a potentially major adjunct to future valuation. We believe Declan Ferguson's (Starling CFO) comment earlier in the year that he saw a "credible path to £100 million of recurring revenue within two years" as well within reach.

We also believe the rollout of Starling's banking AI tools - such as the post period end launch of Scam Intelligence - offers a point of significant differentiation over other incumbents, with Starling's tech stack easing AI integrations.

The quarter was most notable for the IPO of Klarna on the NYSE. Despite a strong initial performance directly post IPO, Klarna was caught up in sector wide weakness shortly thereafter and ended the quarter about 8% below the IPO price.

With our major assets performing well and with strong pipelines of potential new business in front of them, we are optimistic for further NAV per share progression in the year ahead."

Portfolio Activity

The most significant event over the quarter was the IPO of Klarna on the New York Stock Exchange on 9 September at a price of 40 per share, equivalent to a market cap of approximately 15 billion.

The Investment Adviser recommended not to sell shares at the point of IPO, partly due to the IPO process itself - which involved irrevocable selling indications, regardless of price received - but also due to its belief Klarna would continue on a robust growth path in the medium term, which would drive significant profits. The Company is subject to a customary six-month lock-up period from IPO.

Following strong initial performance post IPO, Klarna's shares weakened towards the end of the quarter, in line with a wider sectoral pullback.

Elsewhere, the Company continued to enact its Capital Allocation Policy ("CAP"); in particular the second element of this, namely the return of up to £100 million to shareholders, which has been undertaken in the form of a share buyback. Over the quarter, a further £17 million of shares were bought into treasury, taking the total capital returned to £86 million by quarter end, which has subsequently risen to £93 million as of 31 October.

Portfolio Update

Starling

Starling has seen a busy period of corporate news flow.

In July, a new marketing campaign - "Good with Money" - was showcased ahead of a brand relaunch later in the year which will feature across owned and above-the-line channels. This was followed in September by a refresh of the bank's brand identity.

Following June's launch of "Spending Intelligence" - an AI-powered tool that allows customers to ask questions of their spending habits - Starling revealed its second AI application for customers, "Scam Intelligence", in October. Scam Intelligence allows customers to upload pictures of ads from online marketplaces to assess them for fraud. The AI application can then spot potential red flags, such as the image of the item not being genuine, the payment details not matching those of the seller, or pricing anomalies. Given authorised push payment ("APP") fraud cost the UK c£450 million in 2024, this feature is expected to provide another layer of security for Starling users.

The Investment Adviser believes that Starling's software stack offers it a significant advantage in the provision of AI to its users as it has a single data set for analysis, rather than many different systems operating across the bank, as is the case for many legacy providers. The application of AI offers the opportunity to drive significant differentiation in the future.

August saw Starling return to the M&A market - the first time since the purchase of Fleet in 2021 - with the acquisition of Ember, an accounting and tax software provider for SMEs. With "Making Tax Digital" due to be enforced by HMRC in April 2026, Ember will help Starling's SMEs to comply with these new regulations.

Strong interest remains in Starling's Engine proposition, and its pipeline is robust, noting Declan Ferguson's (Starling CFO) comment earlier in the year that he saw a "credible path to £100 million of recurring revenue within two years".

Smart Pension

Smart continues to report strong growth in its Master Trust (SPMT), which sees significant annual contributions from saving members and was assisted by the robust performance of markets over the period. In addition, the company expects to fully consolidate its most recent acquisition - Options - during the latter part of the year.

The Pension Schemes Bill was introduced to Parliament in June 2025 and is currently passing through the legislative process. One of its aims is to set a minimum scale threshold for multi-employer DC (defined contribution) schemes of £25 billion of AuM by 2030. Due to the number of schemes currently below this threshold, the government has proposed a "transition pathway" which would see a threshold test of £10 billion by 2030 with a credible plan required to £25 billion by 2035.

With the addition of Options, SPMT should approach £9 billion in AuM by year end, which puts it in an excellent place to achieve entry into the transition pathway at the very least. The Bill also looks likely to drive further consolidation in the market, with NatWest rumoured (Sky News) to be selling Cushon about two years after buying it.

Elsewhere, interest in Smart's "Platform-as-a-Service" offering (Keystone) remains significant. In part this is driven by the search for tech-led solutions in the market, but there have also been signs of increased interest following the Pension Schemes Bill, as providers look for a way to drive efficiencies from potential consolidation.

Klarna

Klarna reported 2Q25 results in the period, which showed a significant acceleration in both GMV and revenues, up 19% and 20% respectively (year-on-year; like-for-like), versus 13% and 15% respectively in 1Q25 (on the same basis). The Investment Adviser believes this faster growth was assisted by recent strategic partnerships, such as Stripe, coming online. With Nexi, Worldpay and JP Morgan Payments the next major partners to go live and with the Walmart deal likely to scale over the latter part of the year, prospects for continued strong top-line growth are positive.

Despite this growth and strong operating expense performance, adjusted operating profit remained broadly flat year-on-year at 29 million. The key impediment to profit growth at present is rising impairment provisions, which are due to accounting rules - IFRS9 - that require lenders to record expected loan losses as soon as a loan is issued. This means costs are recognised upfront, making the loan appear unprofitable at first. It should be noted that these provisions are distinct from the underlying delinquency situation, which improved in the quarter (realised losses as a percentage of GMV fell from 48bps 2Q24 to 45bps 2Q25).

Klarna is expanding its Fair Financing product in the US, which offers larger loans with higher take rates than its Buy Now, Pay Later (BNPL) product, and it is early loss provisions associated with this product that are the main reason for the increase in overall provisions - from 0.42% of GMV in 2Q24 to 0.56% in 2Q25. As Fair Financing growth stabilises and Klarna starts selling more loans through its forward flow agreements (removing them from its balance sheet), this pressure on provisions should ease. Combined with falling market interest rates (which reduce costs), Klarna expects its gross margins to improve over time. With continued revenue growth, this should lead to stronger profits.

wefox

wefox has continued to perform well, following a period of intense reorganisation.

The company has now significantly reduced its footprint, refocusing on the Netherlands, Austria and Switzerland, as well as disposing of non-core activities, such as the insurance carrier. As a result of this work, the company expects a circa €100 million swing in adjusted EBITDA between FY23 and FY26e - with most of this already realised - and 2025 is expected to be its first full year of profitability.

With a streamlined and significantly less cash-consumptive operation, wefox is on a much more stable footing to enact its strategy of growing its core markets and products; selective pieces of M&A will be assessed to strengthen wefox's market position and grow its profit stream.

At the end of the period, the company appointed Dieter Bartl as CFO. Dieter has over 25 years of experience in insurance, banking and technology, including with Zurich Insurance and Prudential plc.

Brandtech

Utilising "Pencil", its flagship Gen AI marketing platform, Brandtech continued to develop its AI proposition over the period. Pencil integrates with platforms like TikTok, Instagram and YouTube, allowing marketers to produce high-performing content quickly and cost effectively. Pencil has also partnered with Google and it is now integrated into Google Cloud and available directly through Google Cloud Marketplace, allowing marketing teams to use its tools for ad creation, predictive performance and campaign optimisation.

The Investment Adviser believes that Brandtech's offering is resonating well in the market and the current level of engagement with clients and the growth in Brandtech's pipeline is supportive of that; however, the market backdrop and the performance of many listed peers has been subdued year-to-date, with some delays evident in pipeline conversion.

Overall, the transition to widespread adoption of AI in the industry is occurring at a slower pace than the Investment Adviser had previously expected, but it is still of the view that AI will have a major impact on the marketplace and that Brandtech is well positioned to capitalise on this trend.

Cash Update

As of 30 September 2025, the Company had gross cash and equivalents of approximately £118 million, and positions in Klarna and Wise of approximately £115 million and £3 million respectively, giving a total liquidity position of approximately £236 million (representing approximately 27% of NAV). The gross cash position reduced over the quarter largely because of the ongoing share buyback being pursued by the Company.

The Company had a net cash position of approximately £48 million, once the £70 million term loan is accounted for.

Shortly after the period end the Company elected to pay back £10 million of the term loan, reflecting the improved liquidity position it currently enjoys. As a result, the outstanding term loan is £60 million.

Portfolio Composition

As of 30 September 2025, the portfolio composition was as follows:

Portfolio Company	30-Sep Carrying Value (£ millions)	% of NAV
Starling	406.6	46.5%
Smart Pension	123.4	14.1%
Klarna	115.3	13.2%
wefox	91.5	10.5%
Brandtech	36.8	4.2%
Deep Instinct	26.7	3.1%
Secret Escapes	15.7	1.8%
Featurespace	9.2	1.1%
Wise	3.1	0.4%
Sorted	0.3	0.0%
Gross cash and cash equivalents	118.1	13.5%

Source: Chrysalis Investments Limited. The above percentages are based on a net asset value of approximately £875 million for 30 September 2025. The Company's Featurespace investment has been disposed and the amounts remaining relate to deferred disposal proceeds.

Factsheet

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

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LEI: 213800F9SQ753JQHSW24

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

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